OCTOBER 1981

INCORPORATING **incentive travel**

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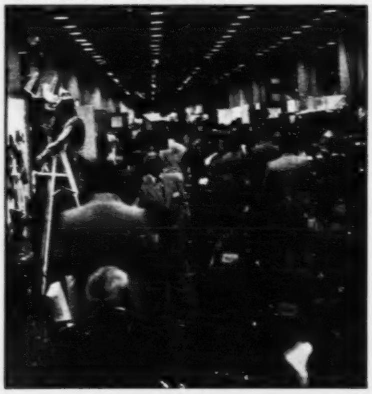
What's cooking at Kraft:

An in-depth look at consumer promotion

NPIS and IT&ME Show Issue



KRAFT
DINNERS
Macaroni & Cheese Dinner
KRAFT
100 Grated Parmesan Cheese
KRAFT
HOT Hickory Smoke
Miracle Whip
Whip
THE BREAD SPREAD
KRAFT
Miracle Whip
Salad Dressing
KRAFT
Zesty Italian
SOFT 'N FRESH
JET-PUFFED
MALLOWS
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Soft
PARKAY
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PHILADELPHIA
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A BILL PUBLICATION

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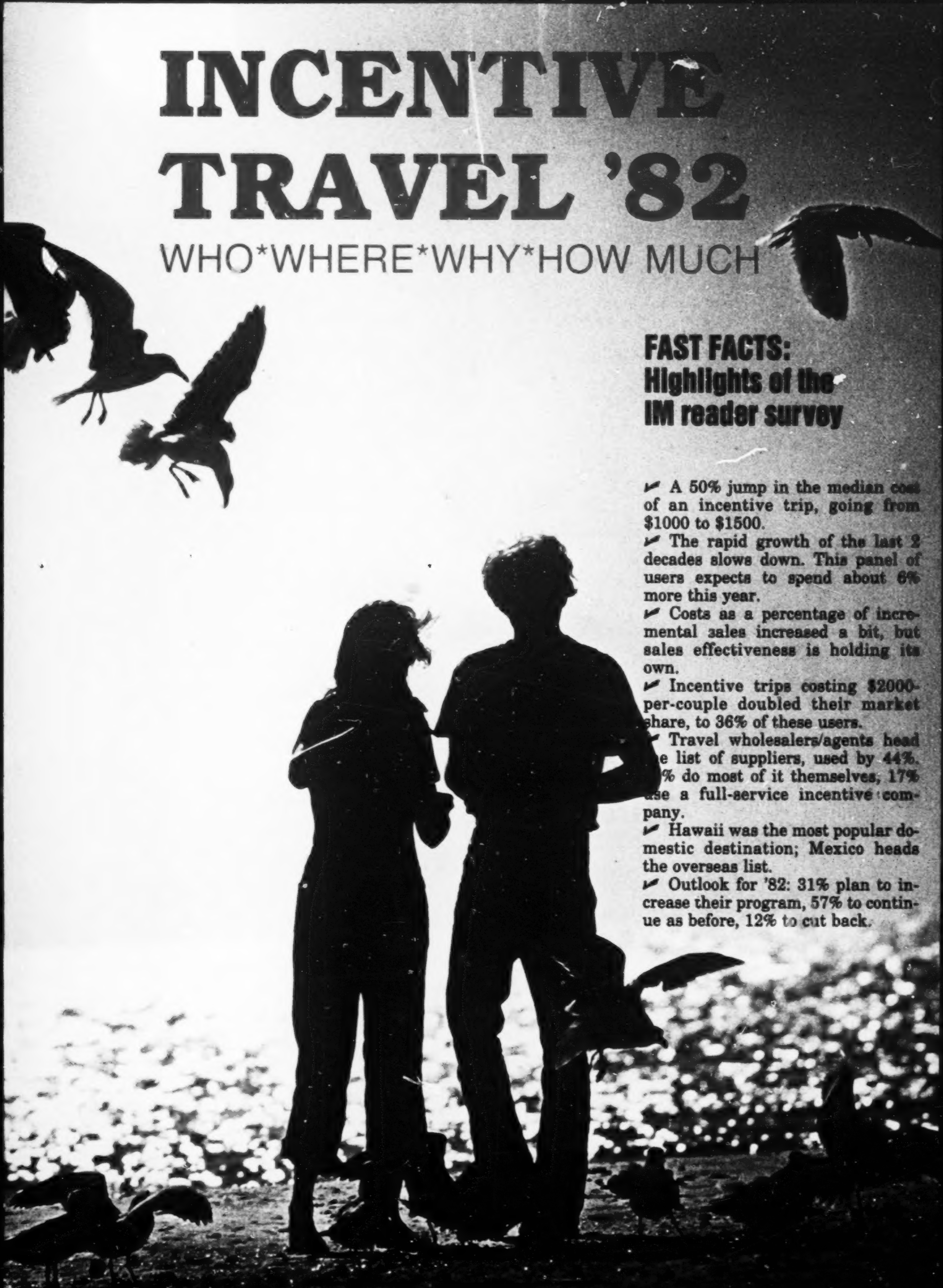
INCENTIVE TRAVEL '82

WHO*WHERE*WHY*HOW MUCH



FAST FACTS: Highlights of the IM reader survey

✓ A 50% jump in the median cost of an incentive trip, going from $1000 to $1500.

✓ The rapid growth of the last 2 decades slows down. This panel of users expects to spend about 6% more this year.

✓ Costs as a percentage of incremental sales increased a bit, but sales effectiveness is holding its own.

✓ Incentive trips costing $2000-per-couple doubled their market share, to 36% of these users.

✓ Travel wholesalers/agents head the list of suppliers, used by 44%. % do most of it themselves, 17% use a full-service incentive company.

✓ Hawaii was the most popular domestic destination; Mexico heads the overseas list.

✓ Outlook for '82: 31% plan to increase their program, 57% to continue as before, 12% to cut back.

The seams appear to have burst this year on unit cost of incentive travel. After holding firm from 1975 through 1980, users knuckled under to higher costs and apparently adjusted qualification levels accordingly to make their programs work.

The result was a full 50 percent increase in the median expenditure per trip, per couple—from $1000 for the past two years to $1500 this year.

The devices employed to hold costs down had included a variety of budget moves: principally reduced distances and shortened trip durations. Despite soaring costs of air transportation, hotel services, and other trip elements, total costs per award had only inched upward.

Most of that has gone out the window now, if we can believe the testimony of 196 companies responding in the latest **Incentive Marketing** update survey on incentive travel.

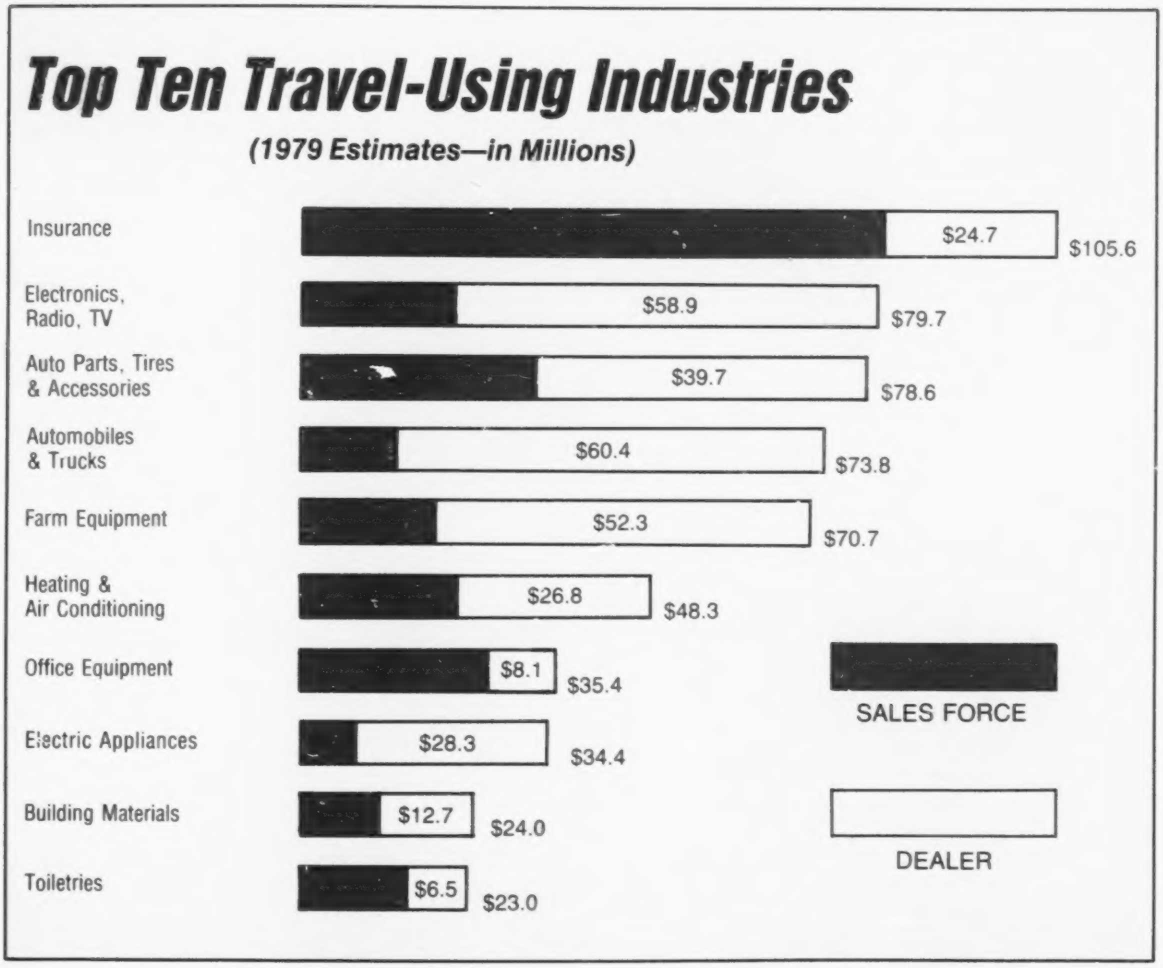
Despite rising costs travel remains effective

Although unit costs have risen substantially, total expenditures by these companies have increased less than earlier forecasts. But sales effectiveness has held its own, and the percentage of qualifiers for trips has edged up a bit over last year's surveys, although still below the level of some recent years.

Incentive travel campaign costs, as a percentage of incremental sales gained during the promotion, have increased somewhat, but not enough to dampen the spirits of most users.

Despite higher unit trip costs, the overall growth of incentive travel has slowed somewhat in the past two years. After two decades of meteoric rise, increases in travel usage have slowed considerably. The appeal of travel surely has not been lost, but the difficulties associated with costs going through the ceiling, and doing so in such an unpredictable fashion, have noticeably reduced the expansion of past years.

The rapid ascendancy of travel began to slip a bit in 1979, and growth in 1980 was consid-



Top Ten Travel-Using Industries

(1979 Estimates—in Millions)

erably smaller than that of merchandise awards for salespeople, dealers, and distributors. The forecasts for 1981 (**IM** January 1981) projected an expansion of travel expenditure by 9.2 percent, while merchandise incentives were seen as increasing by 14 percent.

Users reporting in the special survey this year—the 172 companies supplying figures on usage for both years—showed an increase this year over 1980 of about 6.1 percent in travel spending, somewhat lower than the forecast.

Most users promote to company salespeople

To obtain this update information on travel incentives, **IM** sent a special questionnaire to 438 early respondents in the 1981 Census survey who showed significant expenditures for travel programs. We received completed questionnaires from 201 of the executives—about 46 percent—and tabulated 196 responses. As mentioned above, 172 of these companies showed travel expenditure figures for both 1980 and '81, and these were the basis of any comparisons of usage-volume.

We asked these executives a total of 19 questions designed to reveal not only their trends in incentive usage, but results in terms of sales success and participation, as well as current practices in the management and conduct of incentive campaigns.

Companies reporting dollar expenditures for both 1980 and 1981 spent an average of $199,735 last year for their travel programs, and an average of $212,018 estimated for 1981—an increase of 6.1 percent.

The median expenditure per company, however, rose from $41,000 last year to an expected $47,000 in 1981.

A good majority—77 percent—of the survey respondents offer travel incentives to their own company salespeople. However, mixed groups were common, with an average of more than 1.5 types of personnel named. Second choice is retail dealers, at 32 percent. Independent sales reps and distributors are targeted by 15 percent each, and eight percent aim their promotions at distributor salespeople. About seven percent seek to motivate direct-selling people, and the same number indicated "other" audiences.

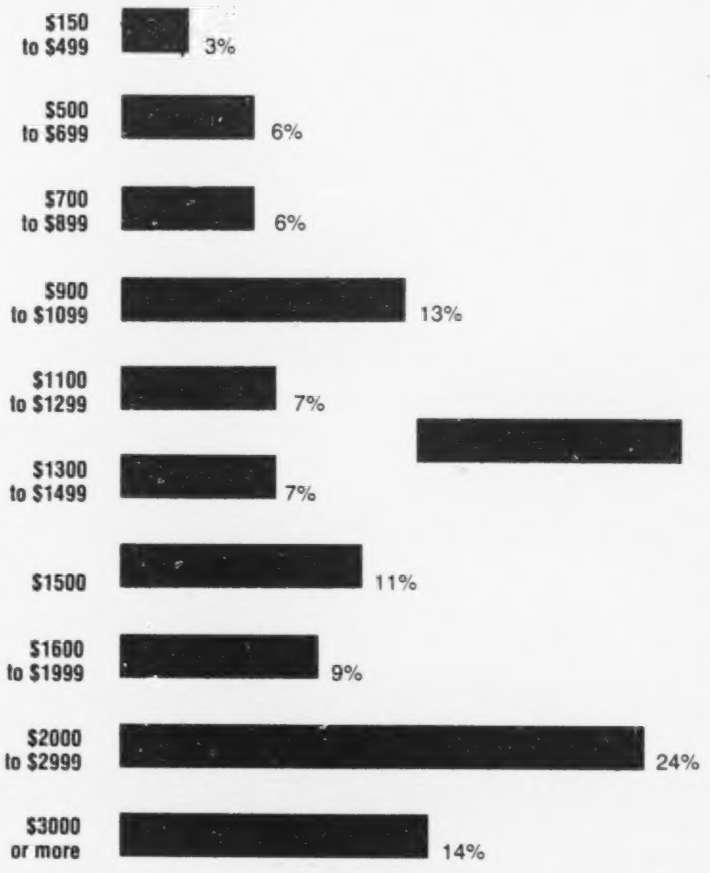
Almost half—49 percent—are exclusive travel users. Another 30 percent use combination programs with merchandise awards, while 21 percent also use merchandise, but in separate campaigns. For 74 percent of these marketers, group travel is the clear choice, while the remainder—26 percent—prefer individual travel awards. The average group size is 307, although the median comes to 78, including spouses in 94 percent of cases.

Should business meetings be included?

A matter of longstanding con-

Cost of Incentive Trip

(Per qualifier, includes spouse in most programs)



troversy among travel users has been the question of whether business meetings should be included in the trip plan. Some feel this is an ideal way to make the program pay off more than it would otherwise. Many users, however, feel it is cheating a bit and insist the trip be pure fun and games to make it a fitting reward for performance.

On the question of meetings, only 31 percent of respondents answered, but 69 percent of those said they do conduct on-site business sessions. The average time devoted to business is 8.7 hours in the course of a trip averaging 3.6 days.

Open-end budget best, but seldom used

By their nature, travel programs are long, and about one-third of the surveyed executives indicate the selling periods for their campaigns run a full year or more. The average duration is 35 weeks. On the average, these companies begin planning the program 46 weeks in advance of the trip, and this averages 21 weeks before the selling period opens.

More than half these companies—52 percent—establish incentive program budgets in advance, a natural consequence of the large number of year-round programs. Other budget methods are fairly evenly divided: 18 percent based on sales forecast; 14 percent from "regular promotion funds"; and 12 percent use open-end budgeting based on a percentage of sales added during the campaign. Another four percent use methods which do not fit any of the categories.

Many seasoned users and other observers of incentive travel usage strongly believe the open-end budget is the wisest course. It ties the overall cost directly to program results, permits all sales performance to be rewarded, and guards against excessive spending in a program that does not perform according to stand-

What's bothering incentive travel users?

BUDGETING

Firm costs on airfares—*(Appliance manufacturer)*
Price from original quote to end costs—*(Consumer goods co.)*
Keeping costs in line with allowable dollars—*(Life insurance)*
Specific costs versus budget and results—*(Insurance)*
Maintaining quality without exceeding the budget—*(Motorcycle mfg.)*
Keeping expenses under budget—*(Real estate)*
Keeping costs from going up because of hidden charges, or because executives change the program and increase costs, and then forget who made the changes eight months later—*(Industrial equipment)*
Cost increases in transportation & lodging—*(Feed company)*
Evaluating final costs in US dollars—*(Electric appliances)*

MOTIVATION

Getting people to know they can win—*(Industrial equipment)*
Creating interest among our sales force and customers—*(Consumer goods)*
Keeping interest high—*(Book company)*
Getting dealers involved—*(Paint wholesaler)*
Sustaining interest in a 78 or 104-week program—*(Life insurance)*
Keeping the perennial winner motivated—*(Ad specialty distributor)*
Getting salespeople involved—*(Industrial products)*
Selling our sales force on its value—*(Consumer goods)*
Maintaining interest during the contest period—*(Paper products)*
Satisfying all participants—*(Retailer)*
Encouraging people to take the trip instead of cash—*(Life insurance)*
Maintaining enthusiasm among our people—*(Building materials)*
Getting people to work—*(Insurance)*
Trying to get 100 percent enthusiasm—*(Farm equipment)*
Obtaining participation from all personnel, as programs have to appeal to all—*(Insurance)*

GOAL SETTING & EVALUATION

Did we achieve our goals?—*(Feed supply house)*
Trying to determine whether sales during a campaign are "added" sales, or are borrowed from another time—*(Life insurance)*
Increasing the percentage of added (new) sales—*(Insurance)*
Evaluating long-term benefits to the company—*(Carpet mfg.)*
Making program equitable to all—*(Laboratory equipment)*
(1) Site selection, (2) quota requirements, (3) success measurement—*(Insurance)*
Planning a program that really increases productivity—*(Engineering services)*
Loading up at end period to qualify, and resultant credit problems—*(Feed supply co.)*
Being fair in evaluating large volume versus small volume customers—*(Food company)*
Determining what percentage of sales increase is directly attributable to the program—*(Farm supplies)*
Developing a realistic cost-benefit analysis to measure program's impact—*(Financial services)*
Convincing management of program's worth—*(Food company)*

(Continued on page 77)

ards. The fact that only 12 percet of these users employ the method—up from nine percent in the last survey—suggests that, however good the approach may be in theory, it is difficult to sell to corporate management.

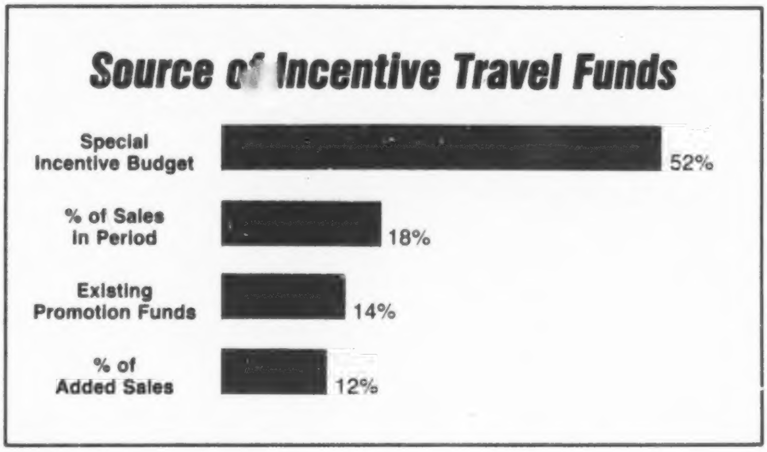
In translating the campaign budget into individual quotas or objectives, 55 percent of these executives base the quotas on an overall sales forecast, and the budget is derived from that. The second choice, favored by 36 percent, is to set quotas on the basis of a previously determined budget. This chicken-and-egg relationship between quotas and budgets may project itself into the difficulty of evaluating results effectively, according to the comments of many executives.

If the budget dictates quotas, outstanding overall performance may be stifled to a degree. And when the quotas write the budget, it may have a similar effect on the way results are interpreted. Does the overall sales objective become obscured somewhat by artificial restrictions at either end?

The qualifications for incentive travel awards vary a bit, depending upon the type of participant. The surveyed users now report that 34 percent of sales personnel win awards, 30 percent of dealers, and 29 percent of distributors, on the average. In the case of wholesaler or retailer programs, these middlemen are sometimes required to pay a portion of the trip cost. But only 12 percent of the respondents answered our question on this matter, and the average of their answers was 31 percent of the cost contributed by the participants' employers.

More trips cost over $2000, less under $500

As noted previously, the cost of individual trips has risen dramatically in the last year among this group of trip sponsors. The average unit cost in their reports is $1763 and the median is $1500, half again the $1000 median which had prevailed in the last two years.

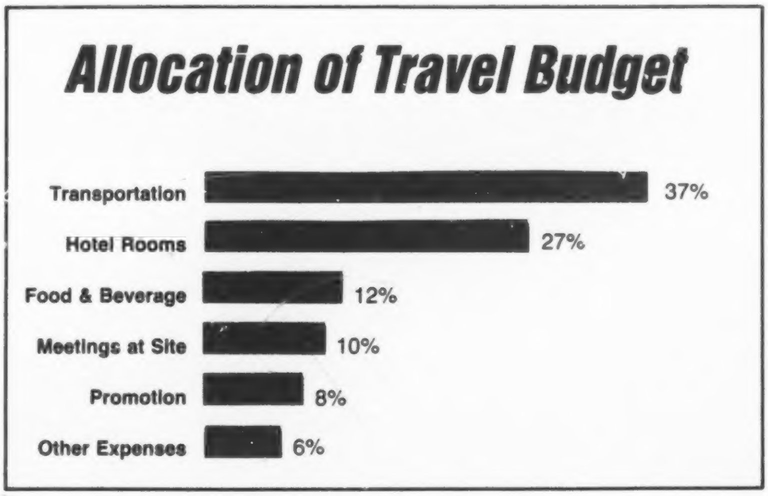


The shift in per-trip expenditure by these respondents is emphasized not only by the rise in the median cost, but in the changes at both ends of the scale. A year ago, the comparable IM study showed 21 percent of respondents' unit expenditures were under $500. In the present survey, only three percent fall in that bottom category. On the other end, trips costing $2000 or more per couple accounted for only 18 percent last year, but have now doubled their share to 36 percent.

Practices have not changed greatly in handling the travel arrangements. Travel wholesalers or retail travel agents are the prime source for 44 percent of these executives, while 37 percent prefer to make most arrangements themselves. A poor third choice, mentioned by 17 percent, is the full-service incentive company. Only five percent said they plan their trips "through travel suppliers," including airlines, hotels, and cruise lines.

Affect of travel specialists on costs

Opinions are sharply divided on the matter of dealing through travel specialists, whether wholesalers or incen-



←Circle No. 136 on Buyer Action Card

Where they're going

(A sampling of incentive sites chosen by IM survey respondents)

UNITED STATES

- 55 Hawaii
  - 2 Maui
  - 1 Kaui
- 41 Florida
  - 12 Disney World/ Orlando
  - 6 Miami
  - 4 Key Biscayne
  - 3 Palm Beach
  - 2 Boca Raton
  - 2 Marco Island
  - 2 Sarasota
  - 1 Daytona Beach
  - 1 Key Largo
  - 1 Key West
  - 1 Naples
  - 1 Tarpon Springs
- 31 California
  - 11 San Diego
  - 6 San Francisco
  - 4 Los Angeles
  - 4 Palm Springs
  - 1 Disneyland
  - 1 Monterey
- 30 Nevada
  - 23 Las Vegas
  - 9 Lake Tahoe
  - 2 Reno
- 14 Puerto Rico
- 12 New Orleans
- 9 South Carolina
  - 5 Hilton Head
  - 2 Myrtle Beach
- 9 Texas
  - 3 Dallas
  - 3 Houston
  - 1 San Antonio
- 8 Arizona
  - 4 Phoenix
  - 1 Scottsdale
  - 1 Tempe
- 7 U.S. Virgin Islands
  - 4 St. Thomas
  - 4 St. Croix
- 7 Wisconsin
  - 2 Lake Geneva
- 6 Colorado
  - 3 Denver
  - 1 Colorado Springs
- 6 Missouri
  - 3 St. Louis
  - 2 Lake of the Ozarks
  - 2 Kansas City
- 6 Virginia
  - 4 Williamsburg
  - 2 Hot Springs
- 5 Georgia
  - 2 Atlanta
  - 1 Pine Isle
  - 1 Savannah
- 4 New Jersey
  - 2 Atlantic City
- 4 New York
  - 3 New York City
- 4 Tennessee
  - 4 Nashville
- 3 Illinois
  - 2 Chicago
- 3 Maine
- 3 Ohio
- 2 USA individual choice
- 2 Alaska
- 2 Kentucky
- 2 Pennsylvania
- 2 West Virginia
- 1 Indiana
- 1 Maryland
- 1 Massachusetts
- 1 New Mexico
- 1 North Carolina
- 1 Super Bowl

FOREIGN

- 51 Mexico
  - 23 Acapulco
  - 5 Mexico City
  - 4 Cancun
  - 3 Cozumel
  - 3 Mazaltan
  - 3 Puerto Vallarta
- 29 Bahamas
  - 9 Nassau
  - 2 Freeport
  - 2 Paradise Island
  - 1 Abaco
  - 1 Treasure Cay
- 23 Bermuda
- 14 United Kingdom
  - 13 London
  - 1 Scotland
- 13 Cruises
- 13 Spain
  - 2 Majorca
  - 1 Costa del Sol
  - 1 Madrid
- 12 Jamaica
  - 1 Montego Bay
- 7 Canada
  - 4 Montreal
- 6 France
  - 3 Paris
- 6 Japan
- 6 Monte Carlo
- 5 Aruba
- 5 Germany
  - 3 Rhine cruise
  - 2 Munich
- 4 Greece
- 4 Netherlands
- 4 St. Maarten
- 3 Barbados
- 3 Brazil
  - 2 Rio de Janeiro
- 3 Caribbean
- 3 Denmark
- 3 Europe
- 3 Italy
  - 2 Rome
- 3 Switzerland
  - 1 Lausanne
  - 1 Lucerne
- 2 Hong Kong
- 2 Ireland
- 2 Portugal
- 1 Austria
- 1 China
- 1 Dominican Republic
- 1 Egypt
- 1 Israel
- 1 Panama
- 1 Sweden

tive companies. We asked these users how they felt about the effects of such dealing in regard to trip cost. A plurality of 39 percent believe working with a travel specialist increases the overall cost. But almost as many—36 percent—think such a relationship decreases costs. And 25 percent do not see this factor making any difference in the cost of the incentive travel program.

Quite apparently, increases in costs for incentive travel cannot, in the minds of these users, be related to methods of handling the program in any important degree.

83 percent report facing higher costs

The rise in the cost of travel is dramatized by the fact that the vast majority, 83 percent, of respondents said costs were up this year. Only eight percent reported lower unit cost, and nine percent had managed to hold the line.

High on the list of cost factors is, of course, airline fares, but they are not alone in pushing costs upward. Transportation, (including ground transfers), now takes an average of 37 percent of the total budget, up from 35 percent in the last survey. Hotel room charges have also risen, from 24 percent to 27 percent.

The cost of promotion has gone up from six percent to 8 percent; meetings at the destination had used seven percent of the budget, but now calls for 10 percent. The only segment of the budget which has dropped percentagewise is food and beverages, down significantly from more than 18 percent to a present 12 percent of the total package. Can it be that today's winners are not eating as well or drinking as much as in the recent past? The catchall "other" costs have also dropped from nine percent to six percent.

Incentive Travel Objectives

Overall Volume Increase	76%
Sell New Accounts	47%
Improve Morale or Good Will	42%
Sell Full Line or Slow Items	28%
Introduce New Products	26%
Offset Competitive Activity	17%
Bolster Slow Season	14%
Sales Training	8%
Increase Store Display	4%
Other	5%

Incentive travel, for all its problems, is glamorous and exciting to everyone—not only the trip recipients but, usually, the executives running the programs. But the bottom line is still there and it amounts to a combination of objectives, results, and final evaluation of how well the targets were reached.

In terms of objectives, there are 10 goals we ask the users to rate in the survey questionnaire. Always in #1 position, of course, is "overall volume increase." In this survey, it ranks as tops with 76 percent of the executives answering. The second choice, listed by 47 percent, is "sell new accounts." A fairly close third—at 42 percent—one that is unique in its strength with the travel user—is "improve morale or good will." About 28 percent of the users want to encourage salespeople.

How users measure results is another story. Units or dollars of sales remains the principal criterion for 63 percent but simply reaching goal or quota is a measurement for 49 percent. Residual benefits, such as morale and good will, are considered important touchstones by 24 percent of the respondents, and branch or district performance is the basis of evaluation by 17 percent. The profit on incremental sales, which may be the surest measure of success—albeit difficult to determine—is considered by only 14 percent. The total exceeds 100 percent by a considerable amount, because users tend to use multiple methods of evaluation.

Though costing more, the results are worth it

Sales increases remain the universal measurement, whatever the nuances that may accompany them. Users in the present **IM** survey have done well in this regard, by comparison with a similar group of companies a year ago: advancing one percentage point or more over the 1980 reports, on the average.

Last year's survey group showed an average sales increase during sales incentive travel programs of 21 percent, compared with 16 percent the previous year. On the dealer side, the respective figures were 20 percent and 18 percent. The current respondents say they are achieving an average of 22 percent this year in sales force programs, where they got only 17 percent a year earlier. For dealer promotions, they now find gains of 20 percent, compared with their year-ago average of only 15 percent. The trend, then, obviously continues upward and bullish for these executives.

It is, however, costing them slightly more to reach these goals than it cost their counterparts last year. In the key area of program cost as a percentage of incremental sales added during the campaign, this year's respondents did it at a cost of 13 percent on the average, with a median of seven percent. The median reported in the 1980 survey was five percent. This leaves present users, however, in a stronger position than earlier years, when costs from nine to 12 percent of incremental sales were common.

Incentive travel: a billion dollar 1981

It seems apparent, given the increase in unit cost and the continuation of good sales increases, that users are generally demanding more of their sales force, dealer, and distributor audiences to qualify for incentive trips, and are getting compliance with little trouble. People still want travel—and are willing to do more than ever before to earn it.

The conclusion is inescapable: in spite of the total effects of incredible cost increases, incentive travel works. And it does so with undiminished sales effectiveness and acceptable cost-effectiveness.

This undoubtedly explains why, in the face of many difficulties in planning and budgeting, 31 percent of the surveyed users say they will increase the size and scope of their incentive travel programs in the future; 57 percent will continue as in the past, and only 12 percent are considering pulling back on travel expenditure.

The original forecast (IM January 1981) for incentive travel usage for 1981, was $1,030,317,000. The users covered in this survey suggest the total may be somewhat smaller in their actual dollar reports: an increase of quite a bit less than the 9.2 percent previously estimated over 1980 usage. Yet reports of results and plans suggest these estimates may be on the conservative side—and incentive travel is still likely to finish 1981 as a billion-dollar endeavor. ■

(Continued from Page 66)

Salesmen sitting on orders—*(Toy mfg.)*

(1) Getting a program to satisfy all participants (haven't done it yet!) (2) Maintaining a high level of enthusiasm during seven-eight month qualification period—*(Insurance)*

The fairness of the campaign to all individuals included, plus hard feelings from those excluded—*(Educational materials)*

Relating travel incentive to other forms—cash, merchandise, etc. —*(Food company)*

Determining actual benefits received—*(Auto parts company)*

SITE SELECTION

Picking a location that will provide an incentive for dealers to increase their purchases—*(Chemical company)*

Finding salable properties at a price to fit budget—*(Consumer goods)*

Picking site to motivate biggest percentage of total force—*(Office equipment)*

Trying to better previous trips—*(Heating & air conditioning)*

Selection of new location every year—*(Food products)*

Selecting a destination that satisfies all customers, large and small—*(Metals company)*

Balancing site and budget—*(Paint wholesaler)*

Finding decent, "workable" properties—*(Lighting equipment)*

We are a smaller company, and find an absence of smaller, intimate sites—*(Awards mfg.)*

New locations at reasonable prices—*(Bedding equipment)*

Very few problems in conducting or evaluating, difficulty is site selection—*(Heating & air conditioning)*

TRAVEL SUPPLIERS

Constant problem is performance of land operator—*(Bedding company)*

Lack of coordinated staff at resort—*(Bank)*

Hotels—*(Sporting goods)*

Cooperation and reliabilty of suppliers—*(Insurance)*

Getting travel staff to mingle with winners and be close friends—*(Seed co.)*

Nothing in particular except incompetence of most travel people. They never seem to have been where they are sending you—*(Electric equipment)*

Picking the right travel agent—*(Insurance)*

OTHER PROBLEMS AND COMMENTS

We run individual trips, and no two people ever want the same trip. A lot of work making arrangements—*(Detergents)*

No problems, just hard work!—*(Paper products)*

Having to buy trips too far in advance—*(Steel wholesaler)*

Last-minute changes and unwillingness to cooperate—*(Office equipment)*

Hard estimating how many will really participate—*(Insurance)*

Putting it all together—*(Insurance)*

We have an open-ended program, so as many make it as can qualify. On this basis it's hard to book a specific number of rooms, plane seats, etc., in advance. So far we have done a good job of estimating, but it does lead to gray hairs!—*(Insurance)*

Developing bigger and better conferences each year in spite of escalating costs of air transportation, hotel rooms, and food, while budgets are tightened and in some cases cut back. But it does make for an interesting and challenging job. I love it!—*(Insurance)*

DECEMBER 1981/$15.00

incentive marketing

INCORPORATING incentive travel

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FACTS ISSUE

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SPECIAL READER SURVEYS ON

- 1980/81 Incentive Usage
- Sales Force Incentives
- Dealer Incentives
- Incentive Travel
- Consumer Premiums and more...

A BILL PUBLICATION

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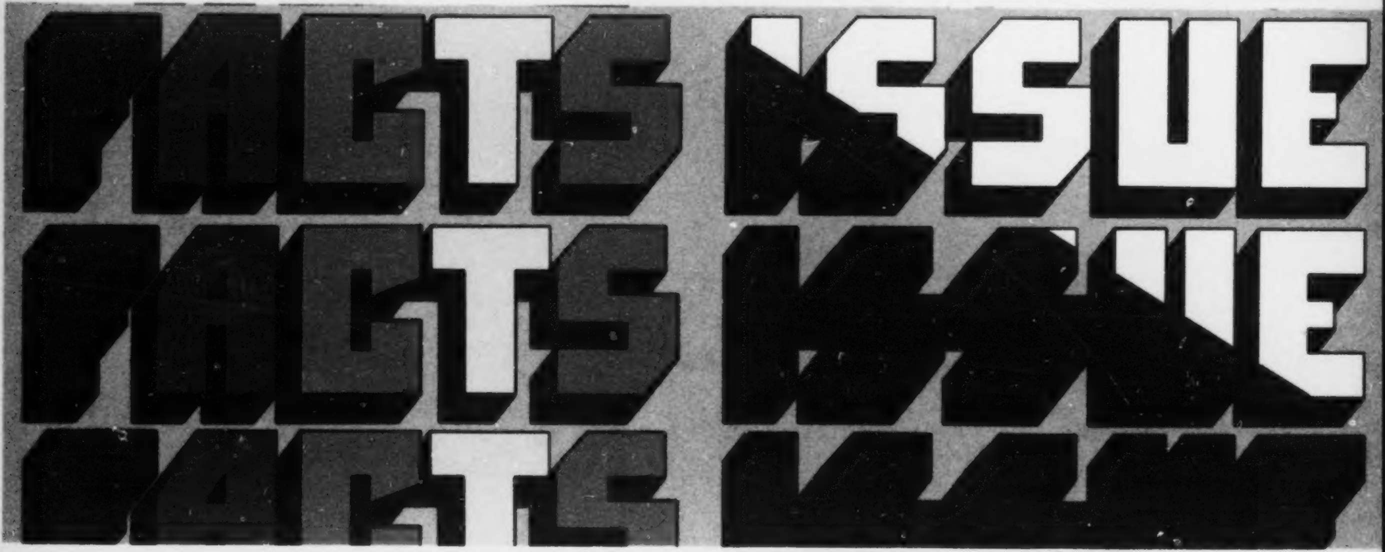

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CENSUS OF USAGE 1981: $9,740,332,000

The corrugated course of the economy in 1980 and 1981 produced a few bumps and some changes of direction for the incentive field. But overall application of the techniques has continued to serve marketers well, with moderate growth at a rate of more than 12 percent each year.

Two shifts in direction occurred during the period. First was a move to intensified consumer promotion in relation to total incentive usage, dictated by market conditions. But before that forecast turn had run the full 1980 course, another—and opposite—change began.

Coming out of a recession in the fall of 1980, but with a sluggish economy early this year that headed back for another recession, the marketplace demanded a return to more extensive use of trade promotion, particularly salesforce incentives to move goods and services through the distribution channels.

These developments are shown by response to IM's 14th annual FACTS Census Survey of user companies in all industries. The reading of 1980 activity is based on actual reports of dollar expendi-

FAST FACTS . . . Highlights of the IM Reader Survey

✓ *Two good years for the incentive field, with growth of more than 12% in 1980 and 1981.*

✓ *Two shifts in direction: a swing to consumer incentives in 1980, then a reversal back to trade efforts—particularly sales force incentives—as the economy began to tighten up in 1981.*

✓ *Trade incentive usage grew about 18% in 1981, against 8.4% growth for consumer incentives. Especially dismal: manufacturer-sponsored consumer premium promotions–up just 5.8%.*

✓ *Overall in 1981, 53% of survey group reported spending more than previous year, 13% less, and 34% the same as before.*

✓ *But signs are that real level of activity is rising faster than dollar expenditures indicate. Many users are making concerted efforts to reduce total costs and get the same job done with fewer dollars—or at least a smaller dollar increase than inflation might decree.*

✓ *Example: most indices of incentive effectiveness are positive. Indicators of performance are up, and levels of participation in trade incentives compare well with past years.*

✓ *Food industry continues as the field's dollar leader, up 14.7%. Auto parts—the largest user of trade incentives—up a modest 9.0% overall in 1980, while dealer incentive spending in this area suffered a slight drop.*

ture in that year, with 1981 estimates emerging from the same companies' forecasts of their plans for this year.

In total dollar expenditures, the survey revised the earlier 1980 forecast by only about $20 million to a new estimate of $8,644,251,000, about 12.3 percent ahead of the 1979 spending pace. A projection to 1981 made last January has changed little percentagewise: from 12.8 percent to 12.7 percent. However, with the start from a slightly lower 1980 total, the latest '81 forecast is down about $37 million—anticipating 1981 volume will wind up around $9,740,332,000.

There is a common conception the incentive field is "recession-proof." While this cannot be totally true, it is a historical fact incentives lag some months behind the dip in the general economy and a recession tends to stimulate some incentive approaches, notably in trade categories. If consumer markets are sluggish, even a constant number of promotions will generate reduced dollar spending. The burden tends to fall on motivating salespeople to break through the barriers and move product.

Trade incentives take 1981 lion's share

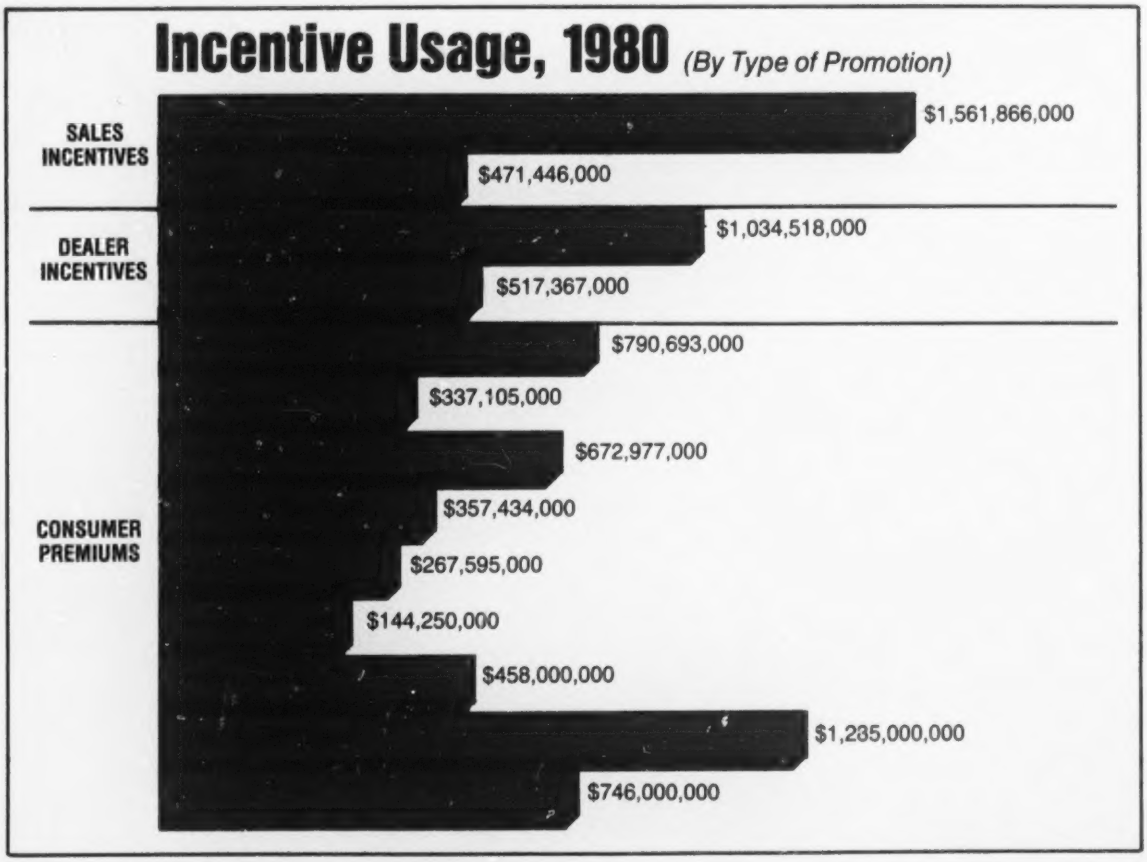
In the 1980 Incentive Forecast (IM, January 1980), we suggested 1980 would be "The Year of the Consumer" in incentive usage. After a few years of larger gains in the use of sales and dealer incentives, users told us they were planning greater emphasis on consumer promotion. Sales incentives, the survey said, would increase about 10.8 percent and dealer promotions would advance 11 percent, while the total field was calling for spending increases of 12.6 percent. Consumer techniques were seen as rising by 14.9 percent in dollar outlay.

A funny thing happened on the way to year-end—recession changed the pattern. While dealer activity gained even less than anticipated—10.3 percent against the 11 percent forecast—sales incentives rose by 12.7 percent for the year, slightly ahead of the total field.

The total of both trade categories in 1980 did not advance quite so much as did consumer promotion. All trade incentives rose by 11.6 percent, while manufacturers' consumer promotion went up 12.3 percent, and retail promotion gained 13.3 percent.

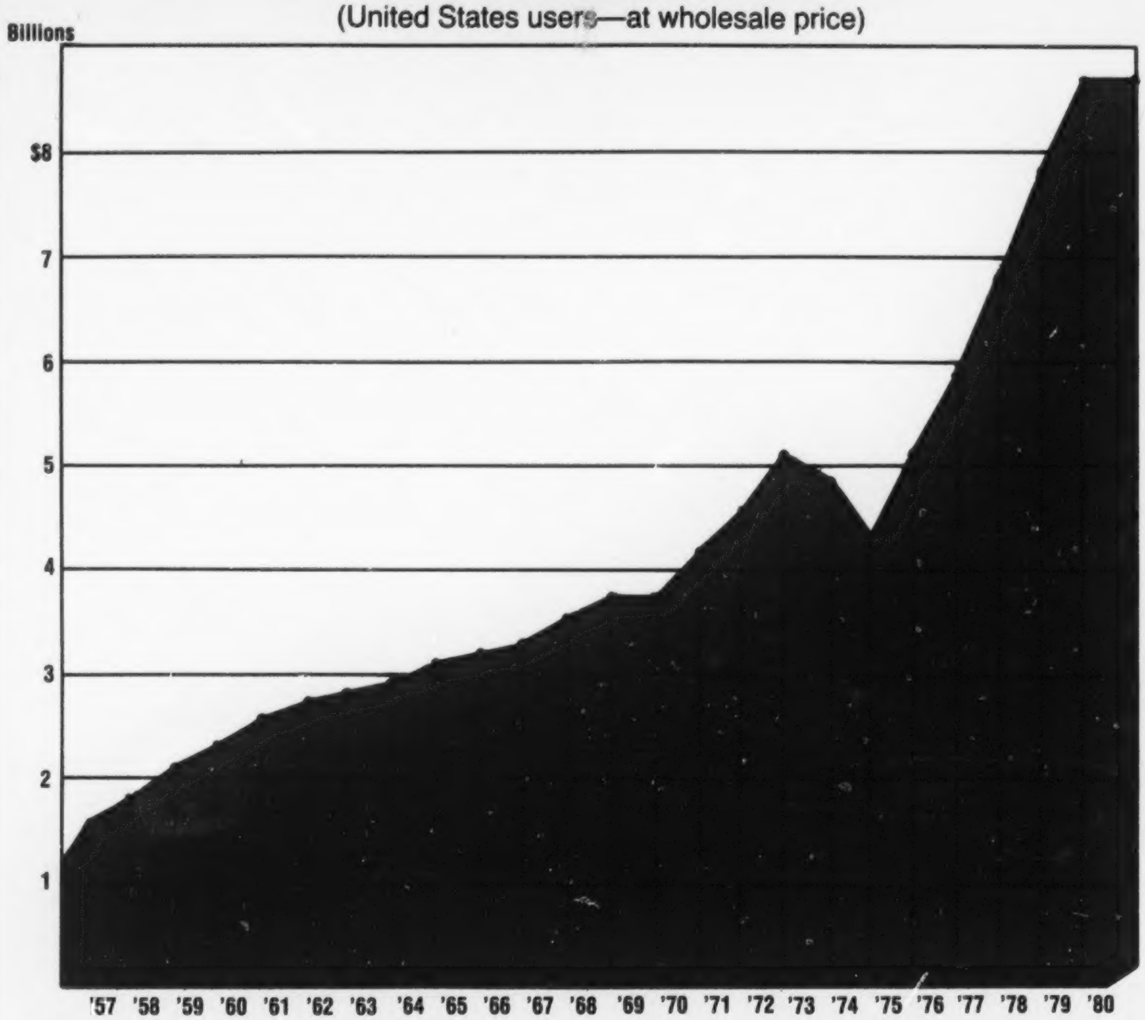
Thus, although "The Year of the Consumer" was not spectacular, the emphasis did hold throughout 1980. But with the trend shifting in the second half, the scene was set for the turnabout occurring in 1981.

Forecast figures for this year show trade incentives—both sales and dealer—will have risen 18 percent over the 1980 level, with manufacturers' consumer efforts up only 5.8 percent and retail usage increasing by 12.2 percent. Lumping manufacturer and retail consumer growth together, the to-



Total Incentive Usage

(United States users—at wholesale price)



Total Dollar Volume*

1969—$3,772,000,000
1970—$3,796,000,000
1971—$4,222,505,000
1972—$4,649,653,000
1973—$5,023,184,000
1974—$4,829,964,000
1975—$4,236,305,000
1976—$5,026,535,000
1977—$5,841,575,000
1978—$6,719,687,000
1979—$7,696,138,000
1980—$8,664,251,000
1981—$9,740,332,000

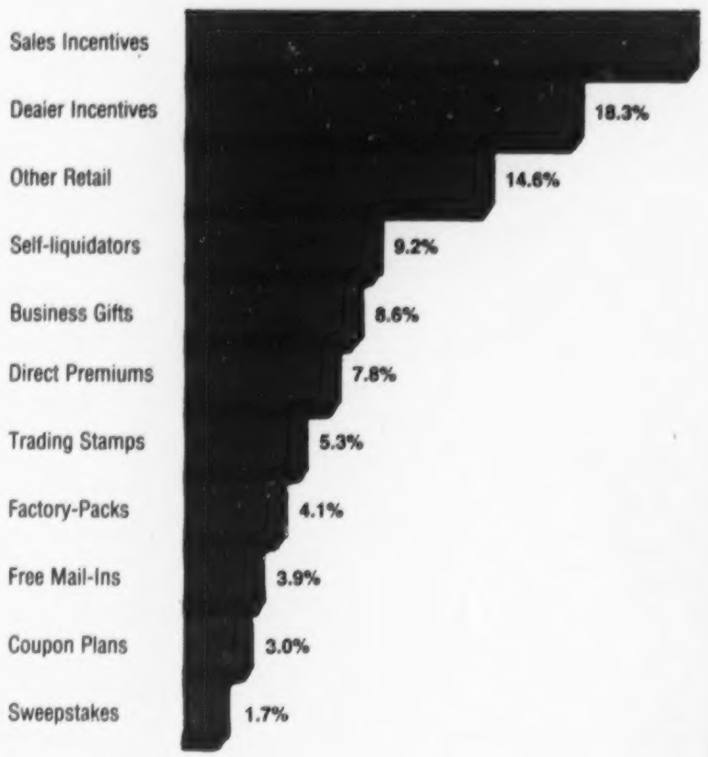
***Source: 1967-1981 IMF survey**
Prior years: Premium Practice estimates

THE INCENTIVE MARKET AT A GLANCE

		Expenditures 1981	% Change Prior Year	Expenditures 1980	% Change Prior Year	Expenditures 1979	% Change Prior Year	Expenditures 1978	% Change Prior Year
TRADE INCENTIVES	**Sales Force Incentives**								
	(Merchandise)	1,913,286	22.5%	1,561,866	12.1%	1,392,742	14.8%	1,213,563	17.4%
	(Travel)	528,020	12.0%	471,446	14.6%	411,403	13.9%	361,294	19.1%
	Total	2,441,306	20.1%	2,033,312	12.6%	1,804,145	14.6%	1,574,857	17.8%
	Dealer Incentives								
	(Merchandise)	1,196,937	15.7%	1,034,518	9.7%	943,306	14.8%	822,052	15.3%
	(Travel)	591,868	14.4%	517,367	11.5%	463,817	8.9%	426,043	15.2%
	Total	1,788,805	15.3%	1,551,885	10.2%	1,407,103	12.7%	1,248,095	15.2%
	Travel Incentives								
	Total	1,119,888	13.3%	988,813	13%	875,220	11.2%	787,337	16.9%
	Trade Incentives								
	Total	4,230,111	17.9%	3,585,197	11.6%	3,211,248	13.7%	2,822,952	17.4%
CONSUMER PREMIUMS	Self-Liquidators	840,507	6.3%	790,693	12.1%	705,055	14.4%	616,365	15.4%
	Free Mail-In Offers	370,816	10.0%	337,105	12.1%	300,608	15.5%	260,290	13.5%
	Direct Premiums	635,290	(5.6%)	672,977	11.9%	601,674	13.0%	532,572	16.7%
	Factory-Packs	426,419	19.3%	357,434	12.1%	318,833	12.5%	283,306	14.9%
	Coupon Plans	293,284	9.6%	267,595	14.9%	232,888	16.5%	199,915	15.8%
	Sweepstakes, Contests	152,905	6.0%	144,250	11.1%	129,812	16.6%	111,287	16.7%
	Total	2,719,221	5.0%	2,570,054	12.3%	2,288,870	14.9%	2,003,735	15.0%
OTHER PROMOTIONS	Trading Stamps	471,000	2.8%	458,000	11.4%	411,000	14.5%	359,000	14.7%
	Other Retail	1,453,000	13.1%	1,285,000	14.0%	1,127,000	16.5%	967,000	14.8%
	Business Gifts	867,000	16.2%	746,000	13.4%	658,000	16.0%	567,000	6.6%
	TOTAL INCENTIVE MARKET—USA	9,740,332	12.7%	8,644,251	12.3%	7,696,138	14.5%	6,719,687	15.0%

(All numbers 000 omitted)

TYPE OF INCENTIVE PROMOTIONS 1980



tal still comes to an increase of only 8.4 percent

We must conclude 1981 is "The Year of the Salesforce." While all trade activity is rising an estimated 18 percent, salesforce incentives are doing more than their share, with a gain rate of more than 20 percent.

"Effective" activity vs. cash expenditure

Sales incentives appear to be increasing their share of the budget from 23.4 percent in 1979 and 23.5 percent last year to a 1981 level of slightly more than 25 percent, a new high. The previous record of sales incentive spending, as a share of the total field, was 23.9 percent in 1975.

Despite the apparent shift of users' budget money from one pocket to another, the total picture of incentive spending appears very close to previous predictions, with the expansion of a bit more than 12 percent in 1980 and 1981.

Given the existing inflation during the period, this cannot be called a large growth rate. Yet there is evidence in the survey reports that real growth is occurring beyond what the percentages indicate. In many areas, particularly the trade-incentive categories, users are making concerted efforts to reduce total costs to get the same job done for fewer dollars, or at least at a smaller dollar increase than inflation might decree.

It appears that in many cases the real level of activity—effective activity—has been rising more than cash expenditure might indicate. Most of the indices of effectiveness are positive. Although the cost-effectiveness rating of trade incentives has slipped a bit as measured by percentage of incremental sales spent, all indicators of performance are up and sales increases and levels of participation compare well with recent past experience.

The rate of dollar expenditure has, however, been declining in percentage terms since the substantial decrease of 1975, when incentive spending dropped by 12.3 percent from the year before. In 1976, incentives came back strong, rising 18.7 percent. The next four years brought increases of 16.2 percent, 15 percent, 14.5 percent, and 12.3 percent. The 1981 forecast of a 12.7 percent growth at least suggests this pattern has leveled out since the field got back into action after the mid-decade recession.

Although available data on users' forecasts of 1982 plans are incomplete, there are early indications of a clear increase in the real growth rate of incentive effort.

Among the 13 incentive techniques evaluated in the Census Survey, there was a rather narrow range of expansion rates in the 1980 reports. Growth ranged from 9.7 percent for dealer incentive travel to 14.9 percent for the coupon plan, with salesforce incentive travel a close second at 14.6 percent. Merchandise incentives for retailers crossed the $1 billion mark for the first time, with reported spending of $1,034,518,000, and the total salesforce incentive efforts, both merchandise and travel, passed the $2 billion milestone, to an estimated $2,033,312,000 for 1980.

This year, however, it appears we have a much greater disparity. One technique—direct premiums—shows an expected decline of 5.6 percent; yet their close cousin, factory packs, are reportedly calling for expenditures 19.3 percent above last year's.

Biggest increase in sales merchandise programs

The champion for 1981 in terms of increases is salesforce merchandise incentives, climbing an estimated 22.5 percent—more than $350 million over last year's record figure, to a new high of $1,913,286,000. Merchandise awards to salespeople broke the $1 billion barrier only in 1977, and now comes close to doubling that spending rate.

The one area of decline in usage this year—direct premiums—takes its 5.6 percent loss largely from one industry group, Banks and Savings & Loan associations. It could be an illusory forecast.

Financial institutions made these predictions a few short months after the end of 1980's crisis brought on by the threat of a legal ban on premium usage, and may thus have been sitting with budgets earmarked for other forms of promotion.

The Depository Institutions Deregulation Committee, comprised of the five leading financial regulating boards in Washington, sought in May 1980 to ban all premium use. It was October before the sky cleared and the proposal was withdrawn.

Financial executives forecast hefty 1982 plans

Bankers and thrift executives making future promotion plans in the second and third quarters of last year had no great impetus to plan the use of premiums this year. But general observation shows incentive use in the financial field has been high through most of 1981. Thus the drop in direct premiums—almost one-third of which are reports by banking and savings institutions—could be an illusion. This is further substantiated by the fact that the same financial executives have forecast a large increase in such promotion for 1982.

There is also a considerable softness in the forecasts of usage in three techniques associated largely with packaged goods manufacturers: self-liquidators, expected to rise only 6.3 percent this year; free mail-ins, up an estimated 10 percent; and sweepstakes & contests, for which users say they will spend just 6 percent more than last year.

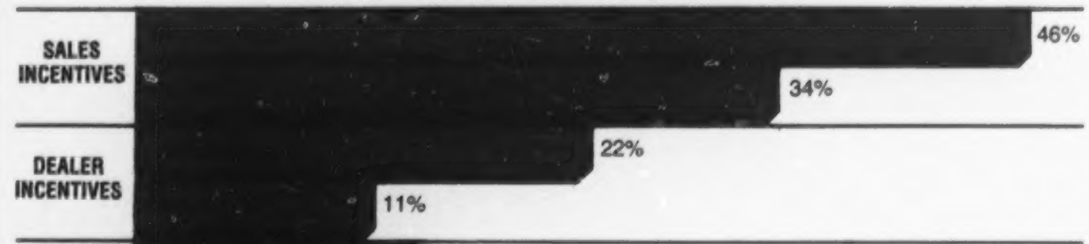
It appears the real level of activity—effective activity—has been rising more than cash expenditure might dictate. Most of the indices of effectiveness are positive.

Also contributing a very weak performance in the 1981 estimates are trading stamps, which had been coming back after bottoming out in 1975. This year they are expected to gain a mere 2.8 percent in volume over 1980. Stamps had peaked in 1969 at $813,000,000, and then began to slide with the discount craze among supermarket operators. They lost two-thirds of their strength by 1975, falling to $267,000,000. From 1976 on, they have been coming back, managing a gain of 11.4 percent last year. Market circumstances this year have slowed the return trip to a crawl.

Other retail promotions look stronger. This large category—including continuity promotions,

Types of Incentive Usage

(% of Respondents Reporting Each)



tape plans, games, sweepstakes, and short-term stamp plans—has pointed to a 13.1 percent increase this year, after gaining 14 percent in 1980.

Business gifts, a hybrid technique crossing the boundaries—but more business than consumer-oriented—will account for 16.2 percent more spending this year than last, if the forecasts hold. This exceeds their 13.4 percent growth rate last year. The total usage this year would be $867,000,000 for good-will gifts, 80 percent or 85 percent of which will be given during Christmas.

Retail grocers stand out as big 1980 industry gainer

Among industries reporting heightened incentive activity last year, retail grocers stand out with an estimated 23.5 percent increased spending for such promotions. The biggest elements in their reported $773,000,000 spending were trading stamps, continuities, and tape plans, with games somewhat reduced from earlier years.

While total expenditure ranks this group as second only to food manufacturers, it is noteworthy that the retail field has expanded incentive use little in the past decade. In 1971, IM reported food stores invested $649,000,000 in premiums, meaning a growth since then of only 19.1 percent. This coincided with the period of the drop of trading stamps and move to a "discount" stance.

Other large gainers in 1980 included Furniture & Floor Coverings, up by 18.8 percent, with the largest expansion in merchandise incentives to dealers, up 24.2 percent, and free mail-ins, up 22.6 percent. Makers of Electronics, Radio & TV boosted their incentive spending by 17.9 percent last year, with the lion's share of the growth going for sales incentive travel, up 29.6 percent; and free mail-ins, which took a gigantic jump of 89 percent.

Automobile manufacturers, who were not having a year to remember, nevertheless increased incentive activity by 16.8 percent. It was a general across-the-board rise, but a bit weighted toward travel for salespeople and dealers, up 20.6 percent and 18.1 percent, respectively.

Also spending more than 16 percent more than the 1979 rate were Office Equipment manufacturers, up 16.4 percent, and Industrial Chemicals, up 16.3 percent, who showed as their largest increase a 20.4 percent rise in dealer travel campaigns.

Nine industries reported incentive usage below the field average of 12.3 percent: Apparel; Auto Parts, Accessories, Tires; Beer, Ale & Soft Drinks; Farm Equipment; Housewares & Home Furnishings; Paper Products & Packaging; Petroleum Products; Pharmaceuticals; and Public Utilities. In addition, the important category of Distributors & Wholesalers increased incentive activity last year by only 10 percent.

Each year since 1971, IM's survey report has pointed to the very largest user industries, and dubbed them the "Hundred-Millionaires' Club": those industries

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spending $100 million or more for incentives in the survey year.

In the first report, there were eight such industries. Last year 18 were listed. While the field has indeed expanded, it is unfortunately true the increases owe more to inflation.

The 1980 FACTS issue added two from the previous list, which had increased by three. It may or may not be significant, as a measure of inflation, that there have been no additions this year. Two groups have changed position, however, in volume of usage: Banks and Savings & Loan moved ahead of Farm Equipment, and Heating & Air-Conditioning edged out Housewares & Home Furnishings. (*See chart page 29 for complete list*).

Without regard to industry, 52 percent of all surveyed users* reported increased spending in 1980, while 11 percent said they spent less, and 37 percent showed no change in usage. In looking at 1981, 53 percent showed more incentive spending, 13 percent less, and 34 percent no change.

The category with the greatest number of users enlarging their programs in 1980 was merchandise incentives for salespeople: 57 percent spent more, only nine percent less, and 34 percent held the line. For 1981, two percent switched from the "more" column to "less," leaving 55 percent expanding their budgets. The same number, 34 percent, see no change in this year's expenditures.

The next largest number of executives reporting higher budgets came in business gifts, where 50 percent said they spent more last year and 47 percent are expecting to increase their outlays in 1981. Only six percent cut back on gift spending last year, and eight percent are doing so this year.

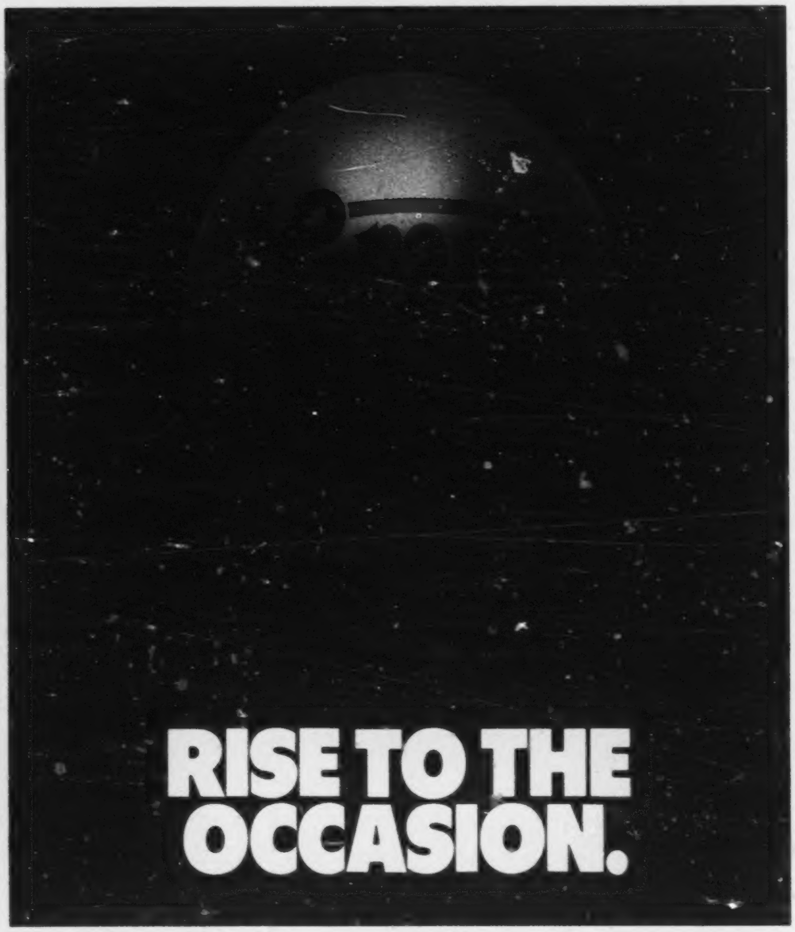
Results for 1981 sales & dealer promotions

What do they get out of it? What results are achieved by incentive users, and at what cost? This survey does not develop such answers for the many consumer promotion techniques, where not only the methods but the evaluation criteria vary widely. But executives do report on results of trade incentive programs, both to salespeople and dealers.

In the matter of increasing overall sales, these respondents show good progress this year, in a direct comparison with 1980 results. Merchandise programs aimed at the salesforce are averaging 18 percent sales increases, compared with 15 percent a year ago. In the case of travel, sales incentives are yielding an average this year of 20 percent versus sales gains in 1980 of 16 percent.

Those who promote to dealers and distributors tell of similar improvement in results. With merchandise offerings, they have increased sales volume growth from 14 percent to 17 percent in the two year period. Travel programs have improved a bit, from 15 percent to 16 percent.

Participation has improved this year, as well. In 1980, users of merchandise sales incentives said an average of 35 percent of eligible



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salespeople earned awards—that now climbs to 39 percent. On travel, qualifiers have increased from 27 to 29 percent. In the dealer area, 29 percent accepted merchandise offers a year ago, while 33 percent do so today. And travel qualifiers have risen from 23 percent to 24 percent, on the average.

It is all done at a cost, of course. Nobody expects to buy the same merchandise or the same trip at the same price. In the past couple of years, many users have held the line to some degree by varying the structures of programs to keep costs from rising too rapidly. But rise they will.

The average cost of a merchandise sales incentive among these users has gone from $220 in 1980 to $250 this year, while trip costs (per couple) rose from $1103 to $1240.

In the case of dealer promotions, the merchandise price tag has risen from $150 to $183, and travel from $1098 to $1276. All figures are arithmetic averages of respondents' reports.

Given plusses on both sides—performance and cost—it is essential to weigh one against the other to know what is really accomplished. We asked users for information on the cost effectiveness of promotions each year, as a percentage of incremental sales gained during the promotion periods.

In three out of four instances, the average cost is up, but the increases are not great. The largest rise in cost was for merchandise sales incentives, from 12 percent to 14 percent of incremental sales. Travel for salespeople is up from 12 percent to 13 percent. Dealer merchandise incentives also showed a one-point advance, from 11 percent to 12 percent. Only in the category of dealer travel programs did users maintain cost effectiveness from year to year—at 10 percent of the incremental sales, on the average, during both years.

Users give some positive votes for incentives

While recognizing some increase in the cost of achieving marketing objectives through incentives in this period, most users appear firmly committed to the technique, convinced they are getting good results with these tools, at the costs reported, as compared with alternatives available to do the same jobs. This becomes clear in comments from many users, both with the Census questionnaire and in our frequent special surveys on sales, dealer, and travel incentives.

The changes many have been forced to make in their strategy—as indicated by the shift from an emphasis on the consumer to a heavier reliance on trade incentives during the past two years—appear to be of greater concern.

These reports also show that users are able to handle the situation—and thrive at the same time. They are also in a much better position to meet the challenges of the economic bumps ahead than those who don't take advantage of the flexibility built into incentive marketing. ■

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Incentive Expenditures by State—1980

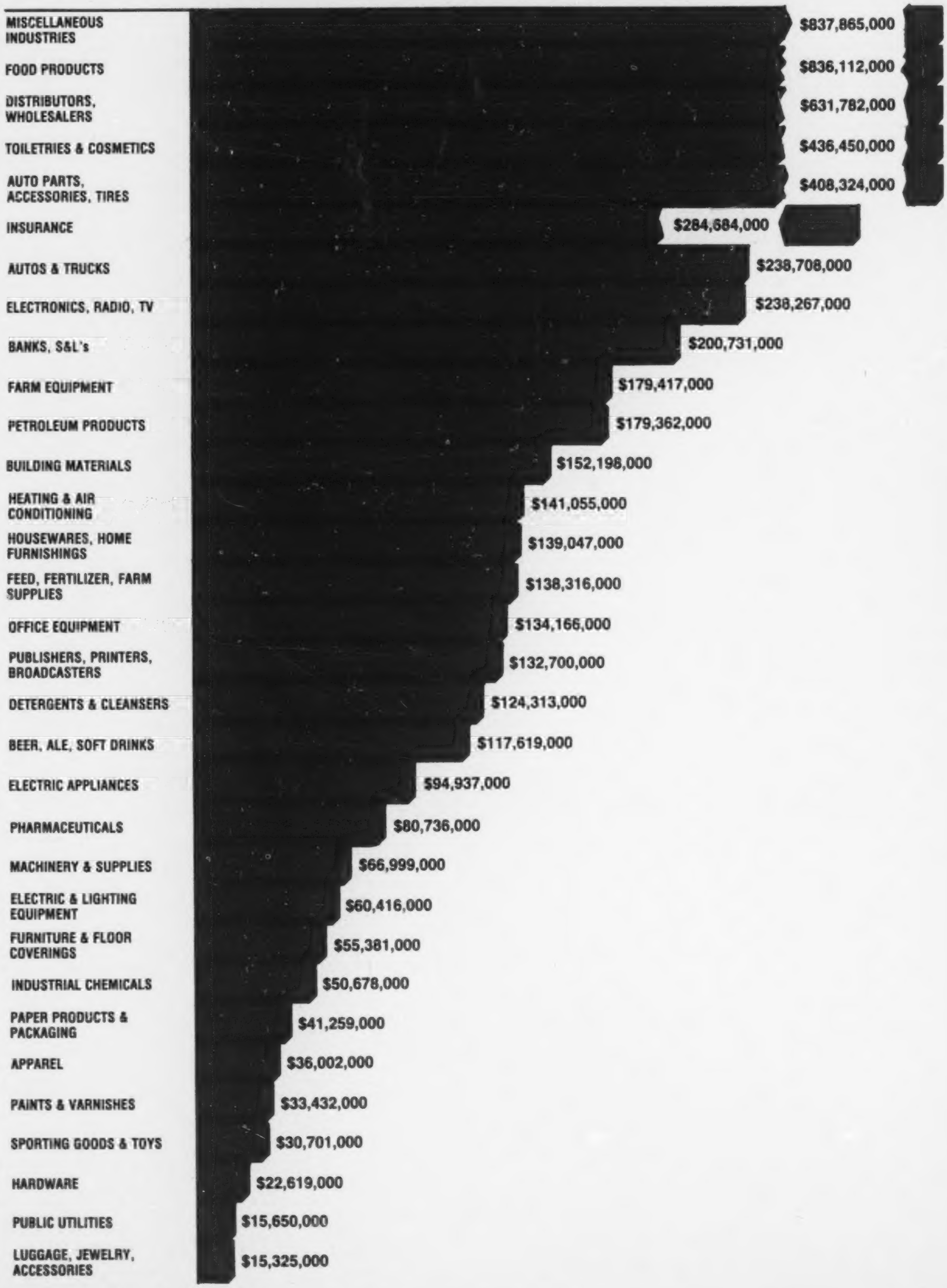
(State purchasing power reflects geographic origin of all dollars expended by incentive buyers).

Alphabetically	*Dollars*	*% Change Prior Year*
ALABAMA	23,018,000	+20.3%
ALASKA	473,000	+ 5.3%
ARIZONA	8,821,000	+16.6%
ARKANSAS	10,855,000	+24.6%
CALIFORNIA	685,455,000	+ 7.3%
COLORADO	14,611,000	+16.9%
CONNECTICUT	93,564,000	+ 8.2%
DELAWARE	18,601,000	+18.8%
FLORIDA	194,773,000	+17.6%
GEORGIA	93,110,000	+13.7%
HAWAII	2,111,000	+ 5.9%
IDAHO	544,000	+15.7%
ILLINOIS	1,089,617,000	+10.7%
INDIANA	215,211,000	+12.3%
IOWA	46,122,000	+14.5%
KANSAS	52,028,000	+13.7%
KENTUCKY	190,800,000	+13.4%
LOUISIANA	14,409,000	+13.5%
MAINE	3,492,000	+23.6%
MARYLAND	56,871,000	+16.3%
MASSACHUSETTS	318,920,000	+11.3%
MICHIGAN	588,310,000	+11.9%
MINNESOTA	393,844,000	+20.2%
MISSISSIPPI	3,084,000	+21.3%
MISSOURI	327,487,000	+14.6%
MONTANA	896,000	+22.5%
NEBRASKA	7,844,000	+15.0%
NEVADA	628,000	+15.0%
NEW HAMPSHIRE	460,000	+19.1%
NEW JERSEY	426,619,000	+12.4%
NEW MEXICO	442,000	+18.1%
NEW YORK	1,369,715,000	+10.9%
NORTH CAROLINA	60,173,000	+14.3%
NORTH DAKOTA	1,973,000	+17.4%
OHIO	1,062,268,000	+ 9.6%
OKLAHOMA	11,289,000	+21.7%
OREGON	5,622,000	+18.2%
PENNSYLVANIA	516,686,000	+15.4%
RHODE ISLAND	40,336,000	+14.0%
SOUTH CAROLINA	8,282,000	+16.2%
SOUTH DAKOTA	486,000	+17.9%
TENNESSEE	90,866,000	+14.4%
TEXAS	277,280,000	+15.2%
UTAH	11,341,000	+14.4%
VERMONT	855,000	+23.0%
VIRGINIA	34,686,000	+16.4%
WASHINGTON	16,827,000	+14.5%
WASHINGTON, DC	7,670,000	+18.0%
WEST VIRGINIA	11,877,000	+29.7%
WISCONSIN	232,679,000	+17.9%
WYOMING	320,000	+13.8%
TOTAL	**8,644,251,000**	**+12.3%**

In Descending Order	
New York	1,369,715,000
Illinois	1,089,617,000
Ohio	1,062,268,000
California	685,455,000
Michigan	588,310,000
Pennsylvania	516,686,000
New Jersey	426,619,000
Minnesota	393,844,000
Missouri	327,487,000
Massachusetts	318,920,000
Texas	277,280,000
Wisconsin	232,679,000
Indiana	215,211,000
Florida	194,773,000
Kentucky	190,800,000
Connecticut	93,564,000
Georgia	93,110,000
Tennessee	90,866,000
North Carolina	60,173,000
Maryland	56,871,000
Kansas	52,028,000
Iowa	46,122,000
Rhode Island	40,336,000
Virginia	34,686,000
Alabama	23,018,000
Delaware	18,601,000
Washington	16,827,000
Colorado	14,611,000
Louisiana	14,409,000
West Virginia	11,877,000
Utah	11,341,000
Oklahoma	11,289,000
Arkansas	10,855,000
Arizona	8,821,000
South Carolina	8,282,000
Nebraska	7,844,000
Washington, D.C.	7,670,000
Oregon	5,622,000
Maine	3,492,000
Mississippi	3,084,000
Hawaii	2,111,000
North Dakota	1,973,000
Montana	896,000
Vermont	855,000
Nevada	628,000
Idaho	544,000
South Dakota	486,000
Alaska	473,000
New Hampshire	460,000
New Mexico	442,000
Wyoming	320,000
TOTAL	**8,644,251,000**

INCENTIVE USAGE BY INDUSTRY-1980

(Industry figures do not include Business Gift expenditures—estimated at $658,000,000)



ANALYSIS OF INCENTIVE ACTIVITY BY INDUSTRY

Apparel: $36,002,000, up 10.4%

	Expenditures 1980	% Change Prior Year	Expenditures 1979	% Change Year Earlier
TRADE INCENTIVES				
Sales Force Incentives (Merchandise)	$ 8,409,000	+ 7.7	$ 7,803,000	+ 14.3
(Travel)	$ 2,071,000	+ 10.9	$ 1,866,000	+ 16.4
Dealer Incentives (Merchandise)	$ 6,125,000	+ 11.6	$ 5,486,000	+ 5.3
(Travel)	$ 121,000	+ 18.6	$ 102,000	+ 9.6
CONSUMER PREMIUMS				
Self-Liquidator	$ 5,035,000	+ 7.3	$ 4,692,000	+ 10.2
Free Mail-In	$ 1,281,000	+ 6.4	$ 1,203,000	+ 5.8
Coupon Plan	$ 360,000	+ 15.0	$ 313,000	+ 6.4
Factory Pack	$ 4,678,000	+ 15.7	$ 4,043,000	+ 6.2
Direct Premiums	$ 6,142,000	+ 13.0	$ 5,432,000	+ 10.6
Sweepstakes	$ 1,780,000	+ 7.3	$ 1,658,000	+ 8.0

Auto Parts, Accessories, Tires: $408,324,000, up 9.0%

	Expenditures 1980	% Change Prior Year	Expenditures 1979	% Change Year Earlier
TRADE INCENTIVES				
Sales Force Incentives (Merchandise)	$122,379,000	+ 16.8	$104,729,000	+ 9.6
(Travel)	$ 46,566,000	+ 19.4	$ 38,982,000	+ 21.7
Dealer Incentives (Merchandise)	$130,774,000	− 0.4	$131,316,000	+ 9.3
(Travel)	$ 39,464,000	− 0.6	$ 39,674,000	+ 5.2
CONSUMER PREMIUMS				
Self-Liquidator	$ 41,970,000	+ 13.3	$ 37,025,000	+ 10.8
Free Mail-In	$ 1,436,000	+ 19.9	$ 1,197,000	+ 34.1
Coupon Plan	$ 1,438,000	+ 28.5	$ 1,119,000	+ 18.1
Factory Pack	$ 922,000	+ 36.5	$ 675,000	+ 172.1
Direct Premiums	$ 16,970,000	+ 27.1	$ 13,351,000	+ 20.7
Sweepstakes	$ 6,405,000	+ 11.0	$ 5,766,000	+ 19.4

Automobiles, Trucks: $238,708,000, up 16.8%

	Expenditures 1980	% Change Prior Year	Expenditures 1979	% Change Year Earlier
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$102,870,000	+17.4	$87,575,000	+17.6
(Travel)	$ 16,218,000	+20.6	$13,446,000	+ 9.8
Dealer Incentives				
(Merchandise)	$ 41,644,000	+12.5	$37,007,000	+31.3
(Travel)	$ 71,395,000	+18.1	$60,447,000	+ 6.7
CONSUMER PREMIUMS				
Self-Liquidator	$ 776,000	+13.2	$ 685,000	+15.1
Free Mail-In	$ 383,000	+17.8	$ 325,000	+20.3
Coupon Plan	0	—	0	—
Factory Pack	$ 383,000	+18.5	$ 323,000	+24.2
Direct Premiums	$ 3,115,000	+ 7.1	$ 2,908,000	+ 6.7
Sweepstakes	$ 1,924,000	+16.6	$ 1,649,000	+34.3

Bank, Savings & Loan: $200,731,000, up 15.6%

	Expenditures 1980	% Change Prior Year	Expenditures 1979	% Change Year Earlier
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$ 29,139,000	+13.2	$25,730,000	+28.1
(Travel)	$ 2,502,000	− 2.6	$ 2,569,000	+30.9
Dealer Incentives				
(Merchandise)	$ 2,856,000	+13.1	$ 2,523,000	+27.3
(Travel)	$ 381,000	+20.9	$ 315,000	+28.5
CONSUMER PREMIUMS				
Self-Liquidator	$ 68,757,000	+12.3	$61,205,000	+30.8
Free Mail-In	$ 2,152,000	+14.3	$ 1,882,000	+19.2
Coupon Plan	0	—	0	—
Factory Pack	0	—	0	—
Direct Premiums	$ 89,641,000	+20.1	$74,619,000	+ 6.5
Sweepstakes	$ 5,303,000	+11.1	$ 4,772,000	+11.3

Beer, Ale & Soft Drinks: $117,619,000, up 10.6%

	Expenditures 1980	% Change Prior Year	Expenditures 1979	% Change Year Earlier
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$ 27,163,000	+11.9	$24,254,000	+30.9
(Travel)	$ 7,694,000	+15.0	$ 6,687,000	+25.7
Dealer Incentives				
(Merchandise)	$ 13,349,000	+11.4	$11,980,000	+31.7
(Travel)	$ 3,528,000	+13.1	$ 3,118,000	+22.9
CONSUMER PREMIUMS				
Self-Liquidator	$ 29,241,000	+ 5.3	$27,749,000	+18.4
Free Mail-In	$ 4,787,000	+14.2	$ 4,190,000	+21.4
Coupon Plan	$ 2,095,000	+13.6	$ 1,844,000	+23.0
Factory Pack	$ 4,817,000	+11.9	$ 4,301,000	+17.8
Direct Premiums	$ 20,830,000	+13.3	$18,372,000	+29.8
Sweepstakes	$ 4,115,000	+ 6.0	$ 3,880,000	+21.9

Building Materials: $152,198,000, up 13.9%

	Expenditures 1980	% Change Prior Year	Expenditures 1979	% Change Year Earlier
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$58,903,000	+11.7	$52,709,000	+ 8.6
(Travel)	$14,164,000	+25.2	$11,312,000	+13.2
Dealer Incentives				
(Merchandise)	$39,808,000	+14.6	$34,725,000	+10.3
(Travel)	$14,791,000	+16.1	$12,735,000	+17.6
CONSUMER PREMIUMS				
Self-Liquidator	$ 9,790,000	+13.3	$ 8,636,000	+ 4.8
Free Mail-In	$ 1,510,000	+15.0	$ 1,313,000	+11.8
Coupon Plan	0	—	$ 197,000	+24.6
Factory Pack	$ 479,000	+18.8	$ 403,000	+15.4
Direct Premiums	$ 9,118,000	+ 6.9	$ 8,526,000	+ 2.5
Sweepstakes	$ 3,635,000	+19.5	$ 3,041,000	+19.7

Detergents & Cleansers: $124,313,000, up 15.4%

	Expenditures 1980	% Change Prior Year	Expenditures 1979	% Change Year Earlier
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$38,108,000	+18.4	$32,160,000	+ 3.8
(Travel)	$ 1,809,000	+ 8.9	$ 1,660,000	+15.8
Dealer Incentives				
(Merchandise)	$18,024,000	+ 9.7	$16,417,000	+11.8
(Travel)	$ 322,000	+14.5	$ 281,000	+14.2
CONSUMER PREMIUMS				
Self-Liquidator	$33,485,000	+14.6	$29,213,000	+ 6.4
Free Mail-In	$ 6,022,000	+18.7	$ 5,073,000	+10.2
Coupon Plan	$ 6,051,000	+20.1	$ 5,038,000	+ 8.9
Factory Pack	$ 7,505,000	+13.3	$ 6,619,000	+ 7.5
Direct Premiums	$10,837,000	+16.2	$ 9,324,000	+ 8.0
Sweepstakes	$ 2,150,000	+11.8	$ 1,922,000	+16.9

Electric Appliances: $94,937,000, up 14.7%

	Expenditures 1980	% Change Prior Year	Expenditures 1979	% Change Year Earlier
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$16,790,000	+16.8	$14,374,000	+16.1
(Travel)	$ 7,925,000	+29.3	$ 6,128,000	+16.0
Dealer Incentives				
(Merchandise)	$16,394,000	+12.0	$14,630,000	+ 9.9
(Travel)	$31,847,000	+12.3	$28,336,000	+ 4.9
CONSUMER PREMIUMS				
Self-Liquidator	$ 5,874,000	+18.6	$ 4,949,000	+12.0
Free Mail-In	$ 5,354,000	+11.0	$ 4,823,000	+12.6
Coupon Plan	$ 484,000	+17.1	$ 413,000	+18.0
Factory Pack	$ 432,000	+13.3	$ 381,000	+22.1
Direct Premiums	$ 8,629,000	+13.2	$ 7,620,000	+ 9.7
Sweepstakes	$ 1,208,000	+11.1	$ 1,087,000	+22.4

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Electrical & Lighting Equipment: $60,416,000, up 15.2%

	Expenditures 1980	% Change Prior Year	Expenditures 1979	% Change Year Earlier
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$11,519,000	+18.8	$ 9,692,000	+11.1
(Travel)	$ 5,778,000	+16.5	$ 4,957,000	+12.6
Dealer Incentives				
(Merchandise)	$23,942,000	+13.7	$21,057,000	+19.7
(Travel)	$ 8,045,000	+15.0	$ 6,995,000	+ 9.5
CONSUMER PREMIUMS				
Self-Liquidator	$ 1,669,000	+11.1	$ 1,494,000	+15.9
Free Mail-In	$ 676,000	+14.3	$ 591,000	+20.8
Coupon Plan	$ 3,678,000	+15.0	$ 3,196,000	+13.2
Factory Pack	$ 984,000	+13.4	$ 867,000	+ 4.7
Direct Premiums	$ 1,457,000	+10.5	$ 1,318,000	+17.7
Sweepstakes	$ 2,668,000	+18.0	$ 2,260,000	+25.1

Electronics, Radio & TV: $238,267,000, up 17.9%

	Expenditures 1980	% Change Prior Year	Expenditures 1979	% Change Year Earlier
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$83,995,000	+13.9	$73,726,000	+13.8
(Travel)	$26,961,000	+29.6	$20,795,000	+16.9
Dealer Incentives				
(Merchandise)	$29,506,000	+14.5	$25,759,000	+37.8
(Travel)	$69,782,000	+18.4	$58,914,000	+ 6.9
CONSUMER PREMIUMS				
Self-Liquidator	$ 4,897,000	+19.5	$ 4,096,000	+18.2
Free Mail-In	$ 2,991,000	+89.0	$ 1,582,000	+36.0
Coupon Plan	$ 5,457,000	+14.9	$ 4,747,000	+21.7
Factory Pack	$ 1,230,000	+13.0	$ 1,088,000	+38.0
Direct Premiums	$10,246,000	+18.2	$ 8,667,000	+21.4
Sweepstakes	$ 3,202,000	+14.8	$ 2,787,000	+41.1

Farm Equipment: $179,417,000, up 1.1%

	Expenditures 1980	% Change Prior Year	Expenditures 1979	% Change Year Earlier
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$28,467,000	+ 4.6	$27,198,000	+ 8.9
(Travel)	$18,781,000	+ 1.9	$18,424,000	+13.2
Dealer Incentives				
(Merchandise)	$70,094,000	+ 0.9	$69,445,000	+10.8
(Travel)	$51,964,000	+ 9.9	$52,283,000	+ 5.0
CONSUMER PREMIUMS				
Self-Liquidator	$ 1,949,000	+ 5.2	$ 1,851,000	+17.4
Free Mail-In	$ 989,000	− 7.8	$ 1,073,000	+ 8.3
Coupon Plan	0	—	0	—
Factory Pack	$ 980,000	− 2.3	$ 1,003,000	+20.8
Direct Premiums	$ 4,357,000	+ 4.2	$ 4,180,000	+10.8
Sweepstakes	$ 1,836,000	− 9.6	$ 2,029,000	+26.1

Feed, Fertilizer, Farm Supplies: $138,316,000, up 13.8%

	Expenditures 1980	% Change Prior Year	Expenditures 1979	% Change Year Earlier
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$ 21,895,000	+19.7	$ 18,290,000	+12.5
(Travel)	$ 9,410,000	+12.5	$ 8,359,000	+15.0
Dealer Incentives				
(Merchandise)	$ 38,661,000	+14.4	$ 33,791,000	+18.1
(Travel)	$ 15,075,000	+11.7	$ 13,489,000	+15.7
CONSUMER PREMIUMS				
Self-Liquidator	$ 8,228,000	+14.2	$ 7,202,000	+17.9
Free Mail-In	$ 3,574,000	+13.1	$ 3,158,000	+16.3
Coupon Plan	$ 18,949,000	+13.0	$ 16,760,000	+17.8
Factory Pack	$ 3,308,000	+16.5	$ 2,839,000	+14.3
Direct Premiums	$ 17,271,000	+ 7.9	$ 15,992,000	+17.1
Sweepstakes	$ 1,945,000	+20.2	$ 1,618,000	+11.8

Food Products: $836,112,000, up 14.7%

	Expenditures 1980	% Change Prior Year	Expenditures 1979	% Change Year Earlier
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$ 73,025,000	+18.2	$ 61,738,000	+24.4
(Travel)	$ 12,859,000	+13.9	$ 11,288,000	+18.1
Dealer Incentives				
(Merchandise)	$ 65,059,000	+14.4	$ 56,853,000	+19.4
(Travel)	$ 5,053,000	+16.4	$ 4,339,000	+20.0
CONSUMER PREMIUMS				
Self-Liquidator	$174,727,000	+13.2	$154,235,000	+18.0
Free Mail-In	$171,618,000	+11.8	$153,380,000	+14.8
Coupon Plan	$ 83,342,000	+19.0	$ 70,034,000	+19.6
Factory Pack	$197,040,000	+14.2	$172,444,000	+ 9.2
Direct Premiums	$ 33,323,000	+22.2	$ 27,247,000	+12.8
Sweepstakes	$ 20,066,000	+16.4	$ 17,235,000	+11.7

Furniture, Floor Coverings: $55,381,000, up 18.8%

	Expenditures 1980	% Change Prior Year	Expenditures 1979	% Change Year Earlier
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$ 8,770,000	+15.1	$ 7,614,000	+10.2
(Travel)	$ 2,704,000	+19.8	$ 2,257,000	+20.5
Dealer Incentives				
(Merchandise)	$ 23,371,000	+24.2	$ 18,808,000	+30.5
(Travel)	$ 11,824,000	+14.0	$ 10,365,000	+14.4
CONSUMER PREMIUMS				
Self-Liquidator	$ 2,439,000	+19.0	$ 2,049,000	+20.8
Free Mail-In	$ 938,000	+22.6	$ 765,000	+20.8
Coupon Plan	0	—	0	—
Factory Pack	$ 871,000	+13.1	$ 770,000	+50.9
Direct Premiums	$ 2,735,000	+11.0	$ 2,462,000	+17.0
Sweepstakes	$ 1,729,000	+14.6	$ 1,508,000	+13.8

Hardware: $22,619,000, up 14.4%

	Expenditures 1980	% Change Prior Year	Expenditures 1979	% Change Year Earlier
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$ 5,545,000	+15.6	$ 4,795,000	+ 4.1
(Travel)	$ 1,529,000	+18.7	$ 1,288,000	+14.5
Dealer Incentives				
(Merchandise)	$ 7,111,000	+16.0	$ 6,129,000	+13.8
(Travel)	$ 602,000	+15.3	$ 522,000	+24.5
CONSUMER PREMIUMS				
Self-Liquidator	$ 1,454,000	+10.0	$ 1,321,000	+20.4
Free Mail-In	$ 1,230,000	+13.9	$ 1,079,000	+34.3
Coupon Plan	0	—	0	—
Factory Pack	$ 1,008,000	+ 9.8	$ 918,000	+28.5
Direct Premiums	$ 2,503,000	+ 9.6	$ 2,283,000	+26.3
Sweepstakes	$ 1,637,000	+13.7	$ 1,439,000	+20.9

Heating, Air Conditioning: $141,055,000, up 14.3%

	Expenditures 1980	% Change Prior Year	Expenditures 1979	% Change Year Earlier
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$ 18,089,000	+12.0	$ 16,145,000	+ 8.0
(Travel)	$ 24,519,000	+14.1	$ 21,474,000	+13.6
Dealer Incentives				
(Merchandise)	$ 54,987,000	+13.7	$ 48,337,000	+11.7
(Travel)	$ 31,519,000	+17.4	$ 26,832,000	+ 4.8
CONSUMER PREMIUMS				
Self-Liquidator	$ 1,344,000	+16.1	$ 1,157,000	+25.8
Free Mail-In	$ 497,000	+16.3	$ 427,000	+38.1
Coupon Plan	0	—	0	—
Factory Pack	$ 1,691,000	+11.1	$ 1,521,000	+16.1
Direct Premiums	$ 6,148,000	+12.4	$ 5,466,000	+13.8
Sweepstakes	$ 2,261,000	+11.4	$ 2,028,000	+13.1

Housewares, Home Furnishings: $139,047,000, up 8.0%

	Expenditures 1980	% Change Prior Year	Expenditures 1979	% Change Year Earlier
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$ 34,747,000	+10.0	$ 31,586,000	+ 7.0
(Travel)	$ 6,413,000	+ 9.0	$ 5,885,000	+14.5
Dealer Incentives				
(Merchandise)	$ 17,975,000	+11.1	$ 16,186,000	+11.0
(Travel)	$ 5,329,000	+13.1	$ 4,710,000	+16.6
CONSUMER PREMIUMS				
Self-Liquidator	$ 1,951,000	+ 4.9	$ 1,859,000	+11.7
Free Mail-In	$ 998,000	+ 6.4	$ 938,000	+14.8
Coupon Plan	0	—	0	—
Factory Pack	$ 1,615,000	+12.2	$ 1,440,000	+ 9.1
Direct Premiums	$ 68,583,000	+ 5.8	$ 64,833,000	+ 9.7
Sweepstakes	$ 1,436,000	+11.4	$ 1,289,000	+12.8

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Industrial Chemicals: $50,678,000, up 16.3%

	Expenditures 1980	% Change Prior Year	Expenditures 1979	% Change Year Earlier
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$ 8,739,000	+14.3	$ 7,643,000	+21.3
(Travel)	$ 3,576,000	+17.0	$ 3,057,000	+25.6
Dealer Incentives				
(Merchandise)	$ 20,531,000	+17.4	$17,485,000	+15.2
(Travel)	$ 4,647,000	+20.4	$ 3,860,000	+22.7
CONSUMER PREMIUMS				
Self-Liquidator	$ 997,000	+13.3	$ 880,000	+13.5
Free Mail-In	$ 904,000	+14.0	$ 793,000	+24.7
Coupon Plan	$ 7,184,000	+14.2	$ 6,293,000	+14.7
Factory Pack	$ 913,000	+13.3	$ 806,000	+15.6
Direct Premiums	$ 2,379,000	+17.7	$ 2,022,000	+14.5
Sweepstakes	$ 808,000	+12.1	$ 721,000	+21.8

Insurance: $284,684,000, up 14.0%

	Expenditures 1980	% Change Prior Year	Expenditures 1979	% Change Year Earlier
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$110,313,000	+13.7	$97,058,000	+14.4
(Travel)	$ 91,484,000	+13.1	$80,852,000	+ 7.9
Dealer Incentives				
(Merchandise)	$ 7,365,000	+13.7	$ 6,478,000	+18.5
(Travel)	$ 29,250,000	+18.6	$24,660,000	+14.0
CONSUMER PREMIUMS				
Self-Liquidator	$ 1,528,000	+17.3	$ 1,303,000	+12.4
Free Mail-In	$ 35,371,000	+13.5	$31,176,000	+17.1
Coupon Plan	0	—	0	—
Factory Pack	0	—	0	—
Direct Premiums	$ 5,703,000	+14.2	$ 4,994,000	+ 2.7
Sweepstakes	$ 3,670,000	+14.2	$ 3,214,000	+27.4

Luggage, Jewelry, Accessories: $15,325,000, up 13.5%

	Expenditures 1980	% Change Prior Year	Expenditures 1979	% Change Year Earlier
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$ 4,595,000	+10.4	$ 4,163,000	+17.4
(Travel)	$ 1,662,000	+13.8	$ 1,460,000	+12.9
Dealer Incentives				
(Merchandise)	$ 3,148,000	+19.7	$ 2,629,000	+40.5
(Travel)	$ 397,000	+15.4	$ 344,000	+16.2
CONSUMER PREMIUMS				
Self-Liquidator	$ 1,984,000	+14.0	$ 1,740,000	+21.1
Free Mail-In	$ 391,000	+13.7	$ 344,000	+18.6
Coupon Plan	0	—	0	—
Factory Pack	$ 202,000	+11.0	$ 182,000	+30.0
Direct Premiums	$ 1,503,000	+11.0	$ 1,354,000	+13.5
Sweepstakes	$ 1,443,000	+11.8	$ 1,291,000	+16.1

Machinery & Supplies: $66,999,000, up 15.0%

	Expenditures 1980	% Change Prior Year	Expenditures 1979	% Change Year Earlier
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$33,741,000	+17.8	$28,642,000	+23.9
(Travel)	$16,013,000	+14.0	$14,050,000	+10.9
Dealer Incentives				
(Merchandise)	$ 4,626,000	+10.7	$ 4,179,000	+14.4
(Travel)	$ 5,096,000	+13.9	$ 4,476,000	+14.5
CONSUMER PREMIUMS				
Self-Liquidator	$ 2,330,000	+ 9.0	$ 2,138,000	+30.3
Free Mail-In	$ 414,000	+13.1	$ 366,000	+19.6
Coupon Plan	0	—	0	—
Factory Pack	$ 530,000	+ 8.6	$ 488,000	+17.0
Direct Premiums	$ 2,811,000	+ 5.0	$ 2,677,000	+35.1
Sweepstakes	$ 1,438,000	+15.1	$ 1,249,000	+26.2

Office Equipment: $134,166,000, up 16.4%

	Expenditures 1980	% Change Prior Year	Expenditures 1979	% Change Year Earlier
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$26,043,000	+15.8	$22,487,000	+27.7
(Travel)	$32,230,000	+17.9	$27,333,000	+11.5
Dealer Incentives				
(Merchandise)	$16,103,000	+14.2	$14,098,000	+19.6
(Travel)	$ 9,469,000	+16.8	$ 8,106,000	+ 4.9
CONSUMER PREMIUMS				
Self-Liquidator	$ 3,306,000	+17.5	$ 2,814,000	+20.3
Free Mail-In	$ 1,738,000	+14.5	$ 1,518,000	+24.2
Coupon Plan	$ 2,765,000	+18.1	$ 2,341,000	+21.3
Factory Pack	$ 9,742,000	+13.0	$ 8,620,000	+18.4
Direct Premiums	$30,814,000	+17.7	$26,189,000	+23.9
Sweepstakes	$ 1,956,000	+13.5	$ 1,723,000	+22.5

Paint & Vanishes: $33,432,000, up 15.1%

	Expenditures 1980	% Change Prior Year	Expenditures 1979	% Change Year Earlier
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$ 8,099,000	+13.6	$ 7,127,000	+17.6
(Travel)	$ 2,429,000	+13.0	$ 2,150,000	+15.8
Dealer Incentives				
(Merchandise)	$ 6,007,000	+15.0	$ 5,223,000	+12.2
(Travel)	$ 5,682,000	+19.0	$ 4,775,000	+17.7
CONSUMER PREMIUMS				
Self-Liquidator	$ 6,818,000	+15.4	$ 5,907,000	+15.1
Free Mail-In	$ 589,000	+ 7.3	$ 549,000	+14.9
Coupon Plan	$ 631,000	+11.5	$ 566,000	+17.9
Factory Pack	$ 662,000	+11.8	$ 592,000	+17.5
Direct Premiums	$ 2,075,000	+16.1	$ 1,788,000	+12.9
Sweepstakes	$ 440,000	+15.8	$ 380,000	+18.8

Paper Products & Packaging: $41,259,000, up 11.6%

	Expenditures 1980	% Change Prior Year	Expenditures 1979	% Change Year Earlier
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$ 5,720,000	+10.5	$ 5,175,000	+18.6
(Travel)	$ 5,623,000	+10.4	$ 5,093,000	+19.4
Dealer Incentives				
(Merchandise)	$ 6,638,000	+13.0	$ 5,875,000	+16.2
(Travel)	$ 2,612,000	+12.9	$ 2,314,000	+16.7
CONSUMER PREMIUMS				
Self-Liquidator	$ 5,727,000	+12.5	$ 5,092,000	+14.6
Free Mail-In	$ 4,096,000	+ 9.0	$ 3,758,000	+20.5
Coupon Plan	$ 5,659,000	+12.5	$ 5,030,000	+16.9
Factory Pack	$ 2,717,000	+12.3	$ 2,420,000	+19.6
Direct Premiums	$ 878,000	+12.0	$ 784,000	+23.7
Sweepstakes	$ 1,589,000	+11.2	$ 1,429,000	+17.9

Petroleum Products: $179,362,000, up 10.8%

	Expenditures 1980	% Change Prior Year	Expenditures 1979	% Change Year Earlier
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$41,403,000	+15.7	$35,786,000	+13.1
(Travel)	$ 6,698,000	+15.6	$ 5,793,000	+14.8
Dealer Incentives				
(Merchandise)	$55,043,000	+12.6	$48,883,000	+10.3
(Travel)	$ 6,508,000	+14.1	$ 5,702,000	+11.5
CONSUMER PREMIUMS				
Self-Liquidator	$18,039,000	+12.3	$16,064,000	+ 8.0
Free Mail-In	$ 2,492,000	+ 4.6	$ 2,613,000	+11.2
Coupon Plan	$ 3,021,000	+15.6	$ 1,613,000	+10.0
Factory Pack	$ 1,493,000	+13.0	$ 1,321,000	+10.0
Direct Premiums	$37,959,000	+ 1.2	$37,522,000	+ 7.6
Sweepstakes	$ 6,706,000	+15.4	$ 5,813,000	+13.5

Pharmaceuticals: $80,736,000, up 9.0%

	Expenditures 1980	% Change Prior Year	Expenditures 1979	% Change Year Earlier
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$29,072,000	+ 5.2	$27,641,000	+13.2
(Travel)	$ 7,678,000	+ 3.9	$ 7,389,000	+11.5
Dealer Incentives				
(Merchandise)	$11,813,000	+ 9.1	$10,826,000	+10.2
(Travel)	$ 4,877,000	+13.4	$ 4,301,000	+12.7
CONSUMER PREMIUMS				
Self-Liquidator	$ 8,072,000	+13.0	$ 7,145,000	+10.5
Free Mail-In	$ 2,367,000	+21.4	$ 1,949,000	+13.2
Coupon Plan	$ 3,218,000	+12.7	$ 2,856,000	+10.1
Factory Pack	$ 5,858,000	+16.8	$ 5,015,000	+13.9
Direct Premiums	$ 6,377,000	+11.5	$ 5,719,000	+10.9
Sweepstakes	$ 1,404,000	+13.8	$ 1,234,000	+10.8

Public Utilities: $15,650,000, up 10.9%

	Expenditures 1980	% Change Prior Year	Expenditures 1979	% Change Year Earlier
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$ 3,685,000	+18.1	$ 3,121,000	+18.7
(Travel)	$ 1,727,000	+ 7.5	$ 1,607,000	+16.6
Dealer Incentives				
(Merchandise)	$ 1,875,000	+11.6	$ 1,680,000	+19.2
(Travel)	$ 267,000	+11.3	$ 240,000	+15.4
CONSUMER PREMIUMS				
Self-Liquidator	$ 1,802,000	+11.6	$ 1,614,000	+14.5
Free Mail-In	$ 1,796,000	+ 6.6	$ 1,685,000	+15.5
Coupon Plan	0	—	0	—
Factory Pack	0	—	0	—
Direct Premiums	$ 3,889,000	+ 7.5	$ 3,618,000	+17.7
Sweepstakes	$ 609,000	+12.6	$ 541,000	+11.8

Publishers, Printers, Broadcasters: $132,700,000, up 15.3%

	Expenditures 1980	% Change Prior Year	Expenditures 1979	% Change Year Earlier
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$53,841,000	+16.3	$46,278,000	+15.3
(Travel)	$ 7,287,000	+14.7	$ 6,351,000	+14.3
Dealer Incentives				
(Merchandise)	$ 7,306,000	+13.5	$ 6,439,000	+13.1
(Travel)	$ 3,036,000	+16.1	$ 2,615,000	+16.1
CONSUMER PREMIUMS				
Self-Liquidator	$ 6,527,000	+15.2	$ 5,666,000	+15.1
Free Mail-In	$ 5,019,000	+16.8	$ 4,297,000	+13.5
Coupon Plan	$ 650,000	+14.2	$ 569,000	+16.4
Factory Pack	$ 4,095,000	+12.6	$ 3,637,000	+12.0
Direct Premiums	$37,661,000	+14.8	$32,803,000	+14.5
Sweepstakes	$ 7,278,000	+12.2	$ 6,485,000	+15.7

Sporting Goods & Toys: $30,701,000, up 15.3%

	Expenditures 1980	% Change Prior Year	Expenditures 1979	% Change Year Earlier
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$ 5,374,000	+16.1	$ 4,628,000	+17.7
(Travel)	$ 3,848,000	+15.6	$ 3,329,000	+17.3
Dealer Incentives				
(Merchandise)	$ 6,062,000	+15.7	$ 5,241,000	+14.3
(Travel)	$ 2,796,000	+14.7	$ 2,438,000	+20.5
CONSUMER PREMIUMS				
Self-Liquidator	$ 5,426,000	+16.1	$ 4,672,000	+17.6
Free Mail-In	$ 133,000	+17.7	$ 113,000	+16.5
Coupon Plan	$ 112,000	+14.3	$ 98,000	+18.1
Factory Pack	$ 882,000	+22.5	$ 720,000	+14.3
Direct Premiums	$ 5,637,000	+12.4	$ 5,016,000	+15.8
Sweepstakes	$ 431,000	+13.7	$ 379,000	+14.8

Toiletries: $436,450,000, up 12.4%

	Expenditures 1980	% Change Prior Year	Expenditures 1979	% Change Year Earlier
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$140,045,000	+ 9.2	$128,200,000	+10.0
(Travel)	$ 18,777,000	+13.5	$ 16,540,000	+14.2
Dealer Incentives				
(Merchandise)	$ 55,511,000	+16.2	$ 47,776,000	+14.2
(Travel)	$ 7,304,000	+11.8	$ 6,536,000	+14.4
CONSUMER PREMIUMS				
Self-Liquidator	$ 77,789,000	+16.0	$ 67,053,000	+14.7
Free Mail-In	$ 12,031,000	+11.3	$ 10,807,000	+14.8
Coupon Plan	$ 9,135,000	+15.0	$ 7,943,000	+16.5
Factory Pack	$ 37,510,000	+10.0	$ 34,101,000	+16.2
Direct Premiums	$ 66,603,000	+13.3	$ 58,764,000	+18.5
Sweepstakes	$ 11,745,000	+ 9.3	$ 10,741,000	+14.0

Michellaneous Industries: $837,865,000, up 6.9%

	Expenditures 1980	% Change Prior Year	Expenditures 1979	% Change Year Earlier
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$190,981,000	+ 5.6	$180,813,000	+14.2
(Travel)	$ 50,633,000	+ 7.9	$ 46,932,000	+ 6.1
Dealer Incentives				
(Merchandise)	$144,239,000	+ 6.7	$135,220,000	+15.0
(Travel)	$ 63,586,000	+ 6.1	$ 59,922,000	+ 9.3
CONSUMER PREMIUMS				
Self-Liquidator	$ 85,486,000	+10.0	$ 77,745,000	+13.2
Free Mail-In	$ 60,046,000	+ 9.1	$ 55,013,000	+15.5
Coupon Plan	$ 32,769,000	+11.3	$ 29,451,000	+16.4
Factory Pack	$ 47,142,000	+ 4.8	$ 44,983,000	+16.4
Direct Premiums	$129,961,000	+ 6.3	$122,246,000	+12.4
Sweepstakes	$ 33,022,000	+ 5.6	$ 31,278,000	+17.8

Distributors, Wholesalers: $631,782,000, up 10.0%

	Expenditures 1980	% Change Prior Year	Expenditures 1979	% Change Year Earlier
TRADE INCENTIVES				
Sales Force Incentives				
(Merchandise)	$210,402,000	+ 8.5	$193,862,000	+19.4
(Travel)	$ 13,878,000	+14.8	$ 12,090,000	+72.1
Dealer Incentives				
(Merchandise)	$ 88,571,000	+ 9.6	$ 80,825,000	+11.6
(Travel)	$ 10,798,000	+ 7.3	$ 10,068,000	+18.3
CONSUMER PREMIUMS				
Self-Liquidator	$171,276,000	+ 9.9	$155,804,000	+ 8.4
Free Mail-In	$ 3,282,000	+14.8	$ 2,859,000	+23.0
Coupon Plan	$ 80,597,000	+12.8	$ 71,467,000	+13.9
Factory Pack	$ 17,745,000	+ 8.8	$ 16,313,000	+21.7
Direct Premiums	$ 26,822,000	+13.8	$ 23,578,000	+13.9
Sweepstakes	$ 8,411,000	+14.2	$ 7,366,000	+13.1

SALES INCENTIVES $2,441,306,000

The biggest boom in sales incentives in many years seems to be under way in 1981.

There is widespread feeling that these are times when salespeople can do more to cope with the demands of a wobbly economy than anyone else in the marketing chain.

After chalking up an estimated 12.7 percent increase last year—a time when consumer promotions were expected to steal the show—salesforce motivation programs are reportedly adding 20.1 percent more in expenditures for the current year.

This is the finding of the latest FACTS Census Survey, based on responding users' forecasts of their spending plans. It compares with an '81 forecast a year ago of a 15.3 percent growth in this type of incentive activity.

The Census data show that in 1980 sales incentives accounted for 23.5 percent of the entire field—the second highest share since the recession year of 1975 when they hit 23.9 percent. When the FACTS surveys began, in 1967, sales incentives were recorded at an estimated 18.6 percent of the total spent for all incentives.

This year, apparently spurred

FAST FACTS . . . Sales Force Incentives

- *Sales force incentives come on strong. After a 12% gain in 1980, spending increased 20% in 1981.*
- *If forecast holds, sales incentives will top $2.411 billion in 1981—doubling size of the field in less than five years.*
- *Merchandise got 78.4% of pie in 1981, travel got 21.6%.*
- *Merchandise spending increased faster than travel spending in 1981, reversing last year's trend.*
- *Despite higher costs, surveyed executives say they are getting their money's worth. Both sales performance and participation levels advanced in 1981.*
- *Results improved as well. Merchandise program sales increases went from 35 percent in 1980 to 39% in 1981. Travel programs boosted sales 29% in 1981, against 27% in 1980.*
- *Award costs: median merchandise cost for this group went from $60 to $70 in 1981. Median travel costs went from $900 to $1000.*
- *More award winners. 39% of eligible sales force earned merchandise awards, up from 35% in 1980. And 29% of eligible sales force won incentive trips, against 27% last year.*

by the remnants of one recession and the beginning of another, this technique will take a full 25 percent share of the incentive field, if the present forecast of $2,441,306,000 stands up.

Results look good. Incentive unit costs are up slightly, and overall cost as a percentage of incremental sales has taken some increase. But sales performance figures and participation levels have advanced. Despite somewhat higher cost to get the job done, most of the surveyed executives feel they are getting their money's worth, and are continuing sales incentive efforts at a high level.

The 1980 Census figures telegraphed this year's upturn to a degree. As recently as January 1981 (IM Forecast), it appeared consumer promotion was in the ascendancy, with trade incentives taking a relatively smaller role. Economic circumstances changed the pattern. While 1980's final reports showed a somewhat increased share of the field for consumer efforts, the shift was much smaller than forecast. At some point in 1980 many marketers began to divert budgets and increase emphasis on getting goods through the trade channels—often with dealer-level promotions, but more significantly with salesforce stimulation.

Users seek more expanded program goals

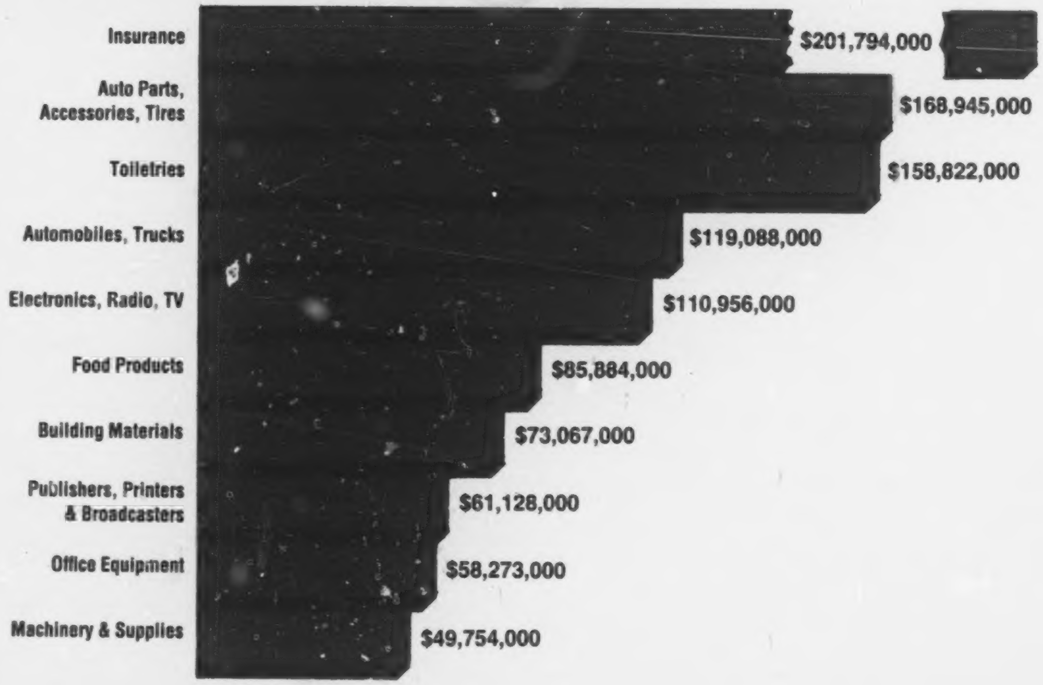
Sales incentives offer the greatest flexibility to redirect emphasis, compensate for market uncertainties, orchestrate the push for specific product lines, and pinpoint objectives. A special IM survey among a limited group of 256 sales incentive users, reported in the July 1981 issue, found some softening of the general objective, "Increase Overall Volume," and a tendency to redistribute their goals over a range of nine specific objectives. Those users did not differ greatly in their program results or spending plans—though they were a bit more conservative from the total Census Survey field—but they did forecast an increased application of the flexibility of sales incentives to achieve many different ends.

While consumer incentives did take a slightly larger share of total expenditure in 1980, as forecast, it was lower than had been expected. And it was primarily at the expense of dealer promotions, which advance only 10.3 percent compared with the field's overall growth of 12.3 percent. Sales incentives went somewhat ahead of the total, with a rise of 12.7 percent in spending.

Fifteen industry groups began spending significantly more for sales incentives in 1980, with increases exceeding 15 percent.

Auto Parts, Accessories, Tires	*17.6*
Automobiles & Trucks	*17.9*
Electric Appliances	*20.5*
Electrical & Lighting	

Top Ten Sales Incentive Users *(Industries—1980 Estimates)*



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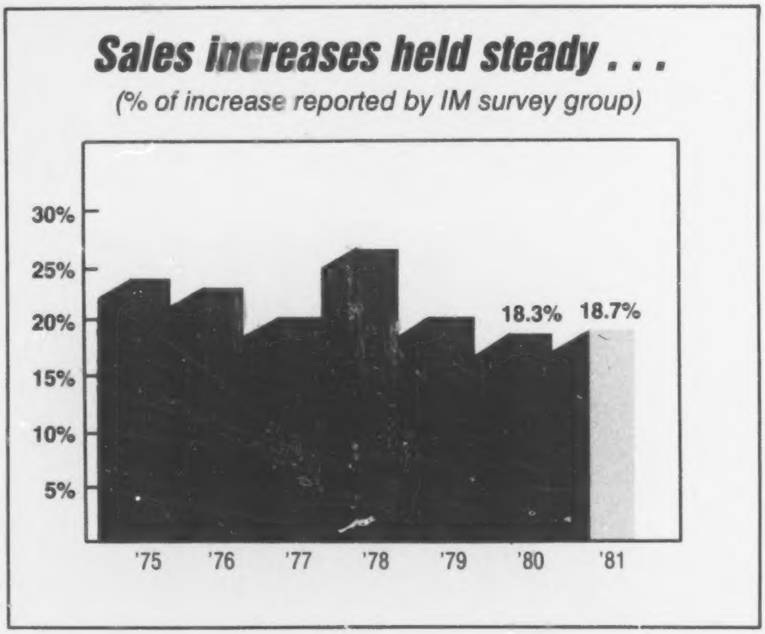
Machinery & Supplies	16.5
Office Equipment	17.0
Petroleum Products	15.7
Publishers, Printers, Broadcasters	16.1
Sporting Goods & Toys	15.9

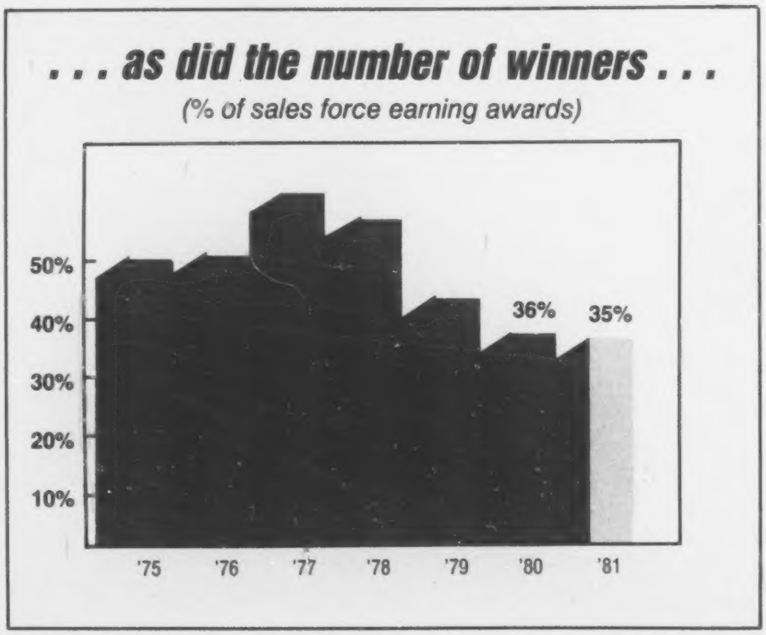
On the other hand, six industries fell well below the average in their sales incentive activity last year:

Apparel	8.4
Farm Equipment	3.6
Housewares, Home Furnishings	9.8
Pharmaceuticals	4.9
Toiletries & Cosmetics	9.7



Sales increases held steady . . .

(% of increase reported by IM survey group)



. . . as did the number of winners . . .

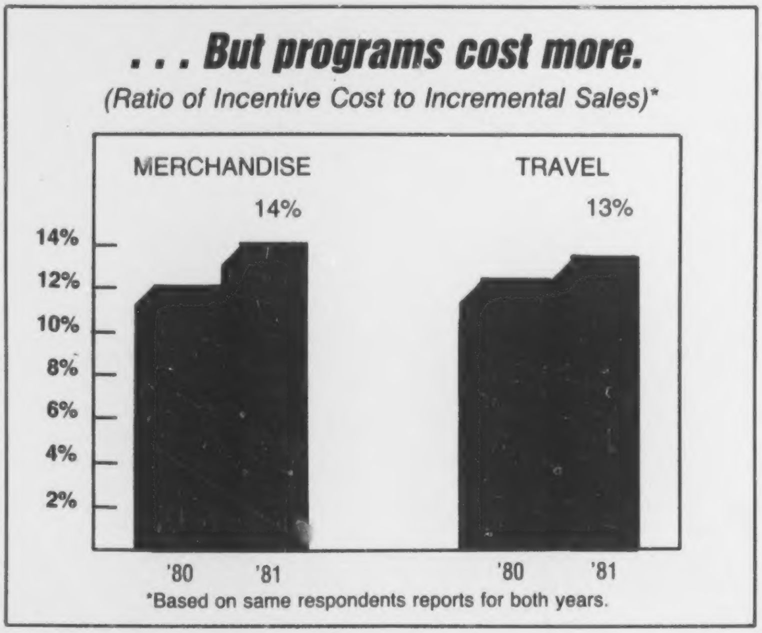
(% of sales force earning awards)

The large and important category of Wholesalers & Distributors also contributed to the low side of 1980 effort, with only an 8.9 percent rise in incentive spending.

The 1980 total of sales incentive spending—$2,033,312,000—was divided about 77 percent for merchandise and 23 percent for travel incentives. This represented a slightly larger growth in the travel sector, which grew by 14.6 percent over 1979, than for the merchandise portion of the field, up by 12.1 percent. Of the fifteen industries showing the largest growth overall, eight boosted their travel expenditures more than merchandise. The groups who put more budget into travel include Auto Parts, Accessories, Tires; Automobiles & Trucks; Electric Appliances; Electronics, Radio & TV; Furniture & Floor Coverings; Hardware; Industrial Chemicals; and Office Equipment.

Among the Top Ten industries using sales incentives, there were two notable shifts in position. Toiletries & Cosmetics, which had held the No. 2 place for seven years, was nosed out for the second slot by the automotive aftermarket industry, which beefed up incentive activity by 17.6 percent, while the former No. 2 user went up only 9.7 percent.

Farm Equipment, a somewhat troubled industry, dropped off the


. . . But programs cost more.

*(Ratio of Incentive Cost to Incremental Sales)**

*Based on same respondents reports for both years.

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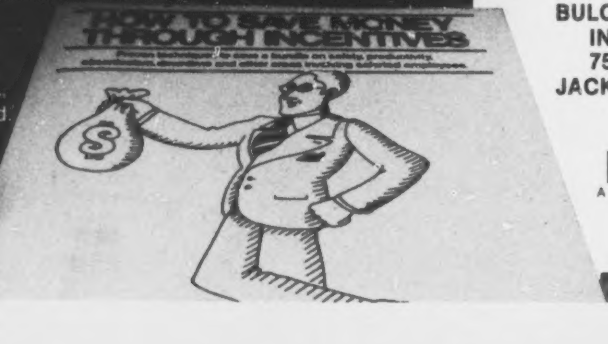
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bottom, actually falling to 12th.

Machinery & Supplies joined the Top Ten (in last place) for the first time; Petroleum Products moved into 11th position in the volume standings. The estimated volume of the No. 10 industry, Machinery & Supplies, was $49,754,000, compared with the $45,622,000 needed last year for Farm Equipment to fill the 10th slot.

Whatever is spent by whom, the necessary ingredient is final results: the sales accounting telling us whether the dollars spent were worth the effort in sales production. The 1980-81 figures reported in the survey show that, although costs are up, users are achieving satisfactory results and bringing in more meaningful bottom lines that any of the alternatives these companies might use.

In parallel reports on experience in both years, users indicated sales gains are up, award winners are up, unit sales cost is up slightly, and the ratio of cost to incremental sales is also up.

Users of merchandise incentives for salespeople told us they spent an average of 12 percent of incremental sales gained during a promotion to achieve results last year, and now have to ante up about 14 percent to get the job done. In the case of travel awards, it now takes an average of 13 percent to do what 12 percent did last year.

Sales increases, participation levels up considerably

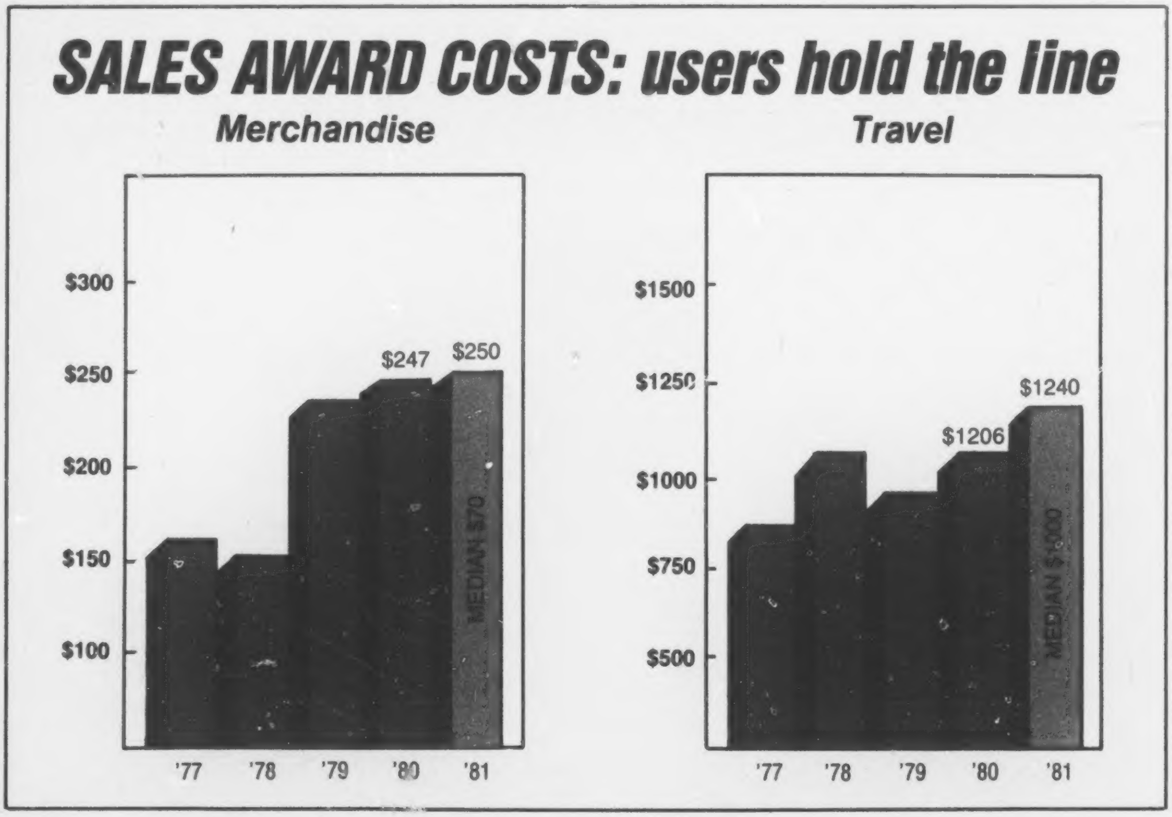
Unit costs, however, have not risen too much. The average cost of the merchandise award last year was $220 among these executives, and this year the same merchandise costs them $250. But the medians are $70 this year, $60 a year ago. The $70 figure is the same as the median report for a similar survey group a year ago. In travel, users report unit cost per couple has risen from an average of $1103 to a 1981 level of $1200. But the medians are $900 and $1000, respectively, the latter figure matching the median found in the comparable study last year.

What does this cost buy? Are they getting any more for the additional money? The answer, overall, appears to be a clear "yes."

Sales increases derived from merchandise programs have climbed from an average of 15 percent to a present rate of 18 percent, and the yield of travel programs has risen from 16 percent to 20 percent. The medians are quite a bit lower, but the improved results are unchanged.

Respondents show distinct gains in the area of participation, as well. In merchandise campaigns, users find 39 percent qualifying now, compared with 35 percent last year. On the travel side, those earning trips have gone from 27 percent last year to a current level of 29 percent. The median levels are somewhat different, but the improvement in performance is clear. *(See chart page 58).*

The final evaluation process, however, is one that continues to trouble some incentive users, as seen by the responses on these questions. More than 1000 companies provided data on results, and three of the four questions elicited response from well over 800.


SALES AWARD COSTS: users hold the line

On the question of the cost effectiveness of their campaigns, as represented by the cost as a percentage of incremental sales, only 473 executives were able to supply the information. This suggests the methods of measuring results and evaluating them remains an incomplete process for many users, and thus may inhibit getting full value from their incentive programs.

The problem of evaluation appears to exist for users of both merchandise and travel incentive plans, although it may be slightly more troublesome in the travel area.

In 1980, travel grew more than merchandise in use by these executives: 14.6 percent vs. 12.1 percent. This year, the situation appears to be reversed. Preliminary review of the forecast data shows merchandise incentive usage is rising this year at the rate of 22.5 percent, while travel expenditures are up about 12 percent. This may reflect a relatively high cost among travel users, as shown by the rating of expenditures as a percentage of incremental sales.

Although the average report shows travel costs rising from 12 percent to 13 percent, the median rises from 12 percent to 15 percent, the largest increase shown and the only case in which the median cost exceeds the arithmetic average.

The uncertainties of travel costs, as seen in the comments of many users, may be contributing to a shift of emphasis away from travel. Nevertheless, expenditure for trip awards this year will still represent almost 22 percent of the total bill for sales incentives. In 1980 it was a shade over 23 percent.

Salesforce travel at 48 percent of all spending

Travel for salespeople has, however, been on the increase for several years—vis á vis the larger travel usage in dealer programs. Sales incentive travel in 1980 is estimated to have accounted for 48 percent of all travel expenditure, a figure much higher than a few years ago.

It seems likely this year represents only a momentary pause in the application of the travel concept to salesforce incentives. The appeal has been demonstrated clearly, and it is not probable sales executives will withdraw for long from the lure of travel to motivate their key people.

When these users gave us most of the information on their plans for this year's promotional efforts, only a dim shadow of 1981's full marketing needs had been seen. With the unfolding of the full shape of this year, it is possible that many things will have occurred to change the actual picture of the year's incentive activities.

Yet, from what can be known now, it is pretty clear this segment of American business is putting its greatest faith in the power of the salesforce and pulling out every stop to motivate this key element in the distribution chain. How well it works may depend somewhat on the course of the total economy—and vice versa. ■

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DEALER INCENTIVES
$1,551,885,000

When incentive users entered 1980 with a consumer-first psychology and a relative hold-back on trade incentive promotions, dealer programs appear to have borne more of the cutback than sales force incentives.

Although the trend reversed itself near year-end, the total dealer-aimed incentive expenditure for 1980 was estimated to have risen by a relatively weak 10.3 percent, compared with a 12.7 percent growth for sales incentives. Merchandise programs aimed at retailers and wholesalers stayed below two digits—at 9.7 percent—while travel campaigns moved ahead at an 11.5 percent rate.

The final estimate of 1980 dealer spending came to $1,551,885,0000—less than $10-million under the forecast a year ago—but the emphasis, originally indicated as falling on merchandise offerings, shifted to travel plans.

Dealers can influence action—but, if consumer purchasing is depressed, the retailer tends to pull back. Sales incentives then take on the burden of stimulating activity. The dealer often pictures him-

FAST FACTS . . . Dealer Incentives

✓ *After a sluggish 1980—10% growth—dealer incentives rebounded in 1981, gaining 15.3%. Dealer merchandise spending was up 15.7%; travel was up 14.4%.*

✓ *Spending brings total dealer incentive usage to $1.788 billion in 1981. Merchandise awards got 67%, travel awards 33%.*

✓ *Field is mixed. Participation and sales increases better in 1981 than in 1980, but not up to levels of 1979.*

✓ *Results: Typical dealer incentive program—merchandise and travel—produced 16.7% sales gain in 1981, against 14.3% in 1980. Good, but still below 17.6% gain recorded by 1979 survey group.*

✓ *Participation levels are the same story: better, but not the best. 25% of eligible dealers earned merchandise awards this year, up from 20% in 1980. For travel awards, 15% won trips in both years.*

✓ *Award costs holding steady. Merchandise median is $50 both years; travel median is $1000 for both years.*

✓ *17 of 32 industry groups surveyed had above-average growth, but many are small users of dealer incentives: Furniture & Floor Coverings, Luggage, Industrial Chemicals, Insurance. Largest user—Auto Parts—dropped 0.4%; second largest—Farm Equipment—up just 6.4%.*

self as buying agent for his customers—and, in the case of retail store operators, their shelf and floor space becomes precious beyond description. The manufacturer's ability to break this barrier may be taxed too much in a recessionary economy.

Nevertheless, dealer incentive expenditures were slated to rise considerably this year—not so much as for sales incentives, but well beyond recent rates. The users' 1981 forecasts average a 15.3 percent increase this year—up 15.7 percent for merchandise awards and 14.4 percent for travel.

The result would be a total of $1,196,937,000 for merchandise incentives and $591,868,000 for travel. Total bill: $1,788,805,000 this year.

In terms of marketers' results with dealer incentives, the picture is spotty. Sales increases in 1980 averaged somewhat below the previous year's reports. The 1981 estimates were up, but still not quite matching 1979. Participation among the users surveyed this year rose over last year's qualifiers—but not to the level of the last comparable survey.

Incentive costs in dealer promotions rose moderately—perhaps less than the inflationary picture would suggest—and the overall program cost, as a percentage of incremental sales during the promotion periods, increased somewhat less than those for sales incentives.

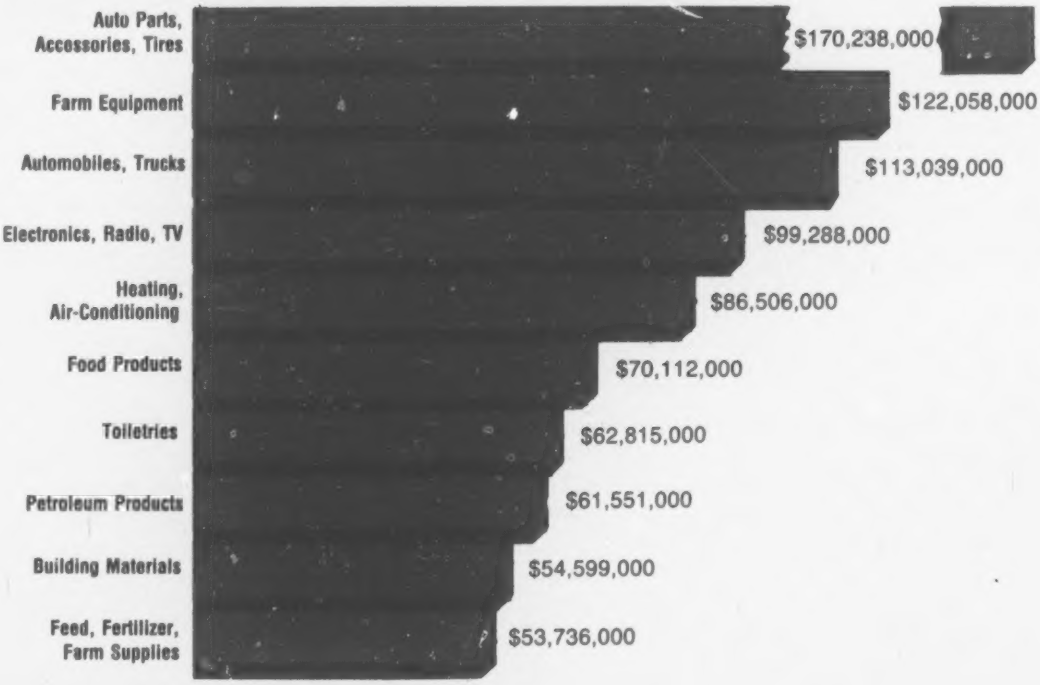
17 industries report above-average dealer activity

Seventeen industries showed increased dealer incentive usage in 1980 that was significantly above the overall average, however. Others showed less growth or none, while wholesalers & distributors—a very large category—expanded their dealer incentive programs by only 9.3 percent. The automotive aftermarket, largest user in this category, recorded a slight loss of volume—0.4 percent—but maintained its lead with an estimated usage of $170,238,000.

Those industries that expanded their dealer incentive activity by 14 percent or more were:

Automobiles & Trucks	+16.0%
Banks and Savings & Loan	+14.1%
Building Materials	+15.0%
Electrical & Lighting Equipment	+14.0%
Electronics, Radio & TV	+14.6%
Food Products	+14.6%
Furniture & Floor Coverings	+20.6%
Hardware	+16.0%
Heating & Air-Conditioning	+15.1%
Industrial Chemicals	+18.0%
Insurance	+17.6%
Luggage, Jewelry & Accessories	+19.2%
Office Equipment	+15.2%
Paints & Varnishes	+16.9%
Publishers, Printers, Broadcasters	+14.2%
Sporting Goods & Toys	+15.4%

Top Ten Dealer Incentive Users *(Industries—1980 Estimates)*



Toiletries & Cosmetics	+15.7%

In addition to the defection of distributors & wholesalers as major contributors to growth—and the static condition of the leader, Auto Parts, Accessories & Tires—the second-largest user of this technique, Farm Equipment, turned in a lackluster 6.4% growth in incentives for dealers last year.

Moving from 1980, which was supposed to be a big year for consumer promotion growth, the end of one recession and the foreshadowing of another caused all trade incentives—both sales and dealers—to end last year in a stronger position than had been anticipated. But dealer incentives, nevertheless, dropped to 18 percent of the total incentive field for 1980, compared with their 18.3 percent share the previous year. But they are expected to rebound to about an 18.4 percent share by the time all 1981 figures are in.

With the slight shift in the direction of travel plans for dealer motivation last year, travel recorded a 33.3 percent share of all dealer spending; for 1981, the percentage is expected to be an even 33 percent, with slightly heavier merchandise growth. This compares with the status of travel in the sales incentive arena—going from 23.2 percent last year to a level of 21.6 percent in 1981, as merchandise usage in that category is expected to outstrip travel.

Although there has been some change in the intensity of dealer promotion among the industries, there has been no change in the composition of the Top Ten user industries—but there was one shift of position. Petroleum Products, which had held the No. 7 position as a user of this type of incentive in 1979, increased its usage last year by 12.8 percent to about $61,551,000. But it was not enough to hold the position, as Toiletries & Cosmetics upped its dealer incentive budget by 15.7 percent to $62,815,000 nosing the oil companies out of seventh place into eighth.

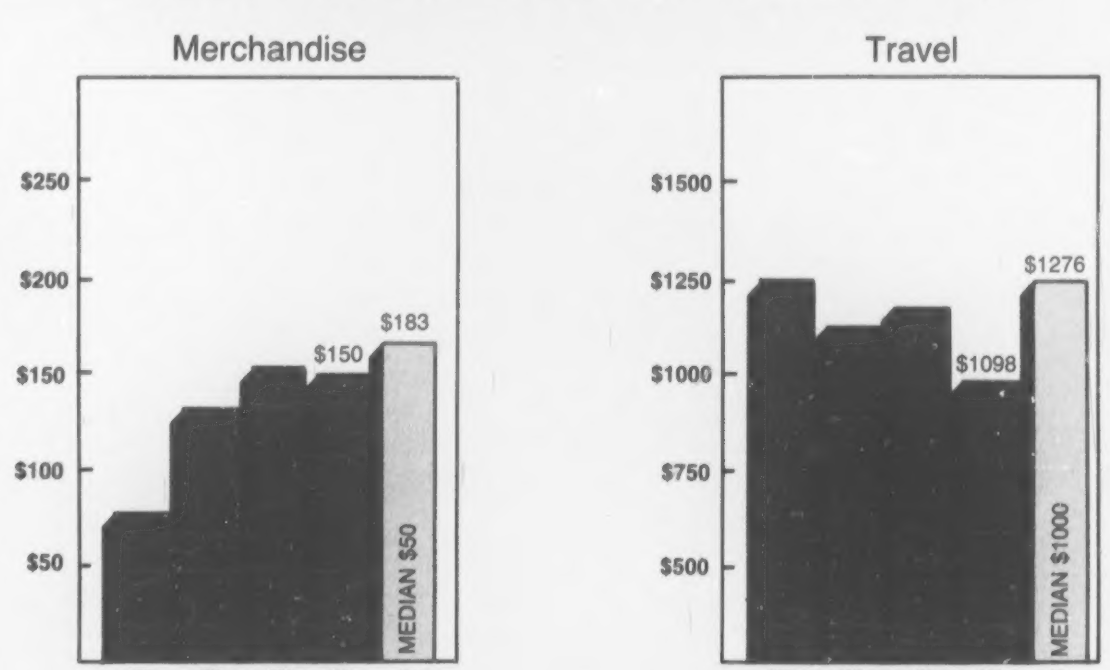
The top of the list was not affected. Auto Parts, Accessories & Tires, although not increasing incentive use at all, held a comfortable edge of about $48 million over the Farm Equipment industry—which did not make much of a challenge, advancing only 6.4 percent in this type of promotional effort.

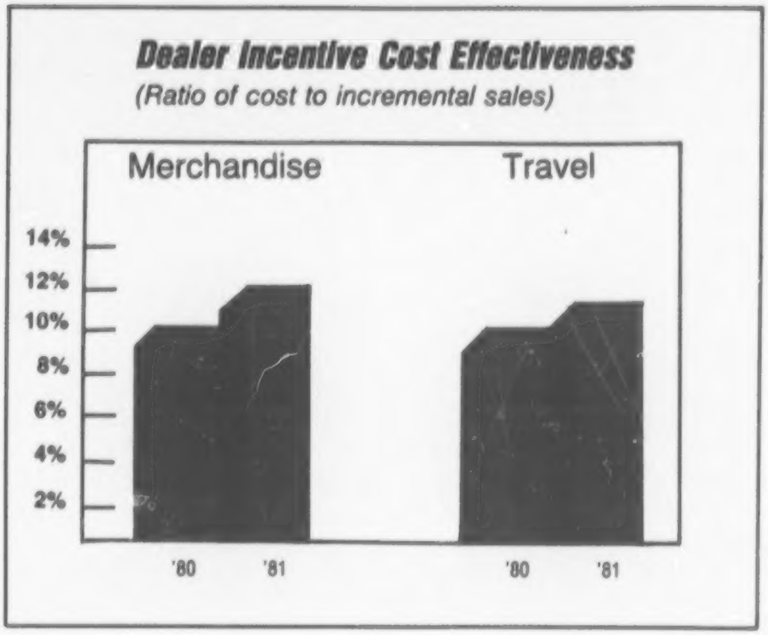
The next four highest users—Automobiles & Trucks; Electronics, Radio & TV; Heating & Air-Conditioning; and Food Products—all were among the above-average gainers in incentive spending.

Results as percentage of incremental promotion sales

There are four bottom-line elements on which the IM Census Survey elicits reports. On one side of the ledger are the results in terms of sales increases during a campaign, and the percentage of eligible people who qualify and earn awards. On the other side are the dollar cost per incentive unit and the final accounting, cost of the program as a percentage of the incremental sales gained during

DEALER AWARD COSTS: little movement





Dealer Incentive Cost Effectiveness

(Ratio of cost to incremental sales)

the promotion period.

While users indicate they are still relatively satisfied with the results of their programs, there has been some slippage in the sales effect in the past two years.

In their sales performance for 1980, the responding executives told IM they averaged 14 percent increases with merchandise incentive plans, 15 percent with travel. This year, the same companies found merchandise promotions were yielding sales increases of about 17 percent, and travel campaigns increased to an average of 16 percent sales gains. The medians were quite a bit lower—6 percent last year for both types of program, and 7 percent now in both cases. Thus it is clear that, while some users can achieve rather high gains, and thus run up the average, the norm is considerably lower.

The average sales increases, merging merchandise and travel incentives into one group, were 14.3 percent last year and 16.7 percent estimated in 1981. Both are somewhat below the 1979 figure cited by respondents in a similar survey a year ago—17.6 percent. Last year's performance average was the first drop below the 15 percent level since the recession year of 1975.

Participation has improved during the two years for these executives—although a comparison of their 1981 figures with previous surveys shows both merchandise and travel one percentage point below last year.

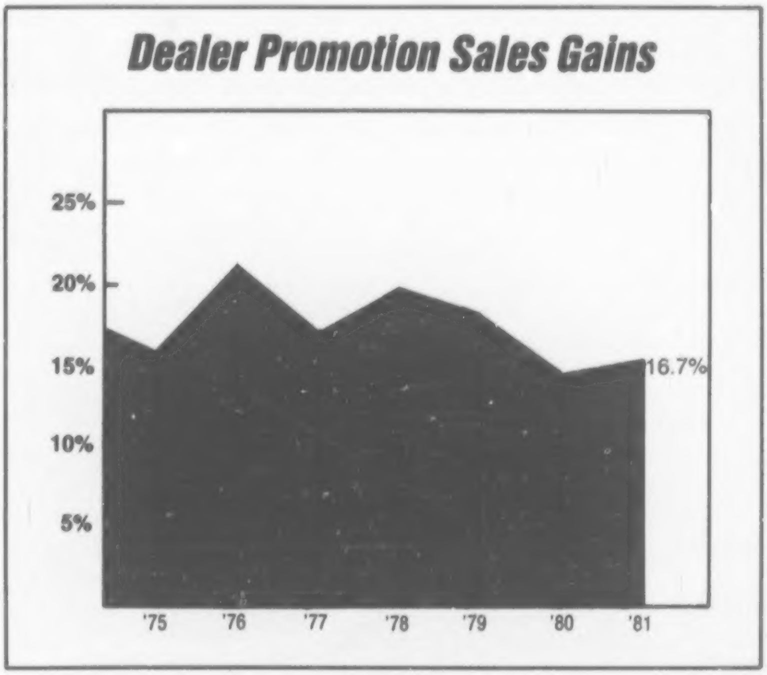
These users said 23 percent of eligible people earned their travel awards last year, and this increased to an estimated 24 percent in 1981. With merchandise, they did even better—going from a 1980 record of 29 percent of dealers accepting the offers to 33 percent this year. Again, because the averages are distorted slightly by some high-participation programs, the medians are lower: 15 percent in both years for travel, 20 percent last year and 25 percent now for merchandise.

Users succeed in holding down unit cost

Users have been trying, through several years of inflation, to hold the line on the unit cost of their incentive awards, and it appears that overall they are succeeding to some degree. The average for merchandise awards in the present reports goes from $150 ($6 below last year's survey) to $183—but the median expenditure remains at $50.

A similar situation prevails with travel costs. Last year's $1098 average was below the 1980 survey figure of $1212, and rose to $1276 this year. But, again, the median held—at $1000 per trip for a couple.

The cost-effectiveness of dealer promotion has fared somewhat better than that of sales incentive



Dealer Promotion Sales Gains

programs. In 1979, the survey found an average percentage of incremental sales spent for the incentives of 11.5 percent. Last year's survey showed 11 percent—considering both merchandise and travel together. On the same basis, the present respondents show their cost in 1981 as 11.3 percent, while they spent 10.7 percent a year ago.

Considering merchandise incentives alone, these users' 1980 performance showed a cost of 11 percent of incremental sales, rising to 12 percent this year—with the medians at 10 and 12, respectively. For travel incentive efforts, last year they averaged 10 percent, and held that level so far in 1981—but with the median rising from 10 percent to 11 percent.

All of these figures, from several surveys, are so closely clustered together that it suggests a remarkable performance by marketers in keeping their budgets in line, even in the face of many rising costs. There appears to be a fairly simple answer in the fact that many of them have merely restructured their rules and award schedules to get a little more performance for the same money—no mean trick in this economy. The slight decline in sales performance shows they are paying a price at that end—but clearly not one they consider excessive.

Respondents expect to level off spending in 1982

What of the future for these users of dealer incentives? They have increased their activity strongly in 1980 and 1981, but there is a slight indication of a lessened rate for 1982. While 55 percent of merchandise users raised their budgets last year over 1979, and 58 percent are spending still more this year, only 38 percent see another increase in 1982. About 28 percent expect to spend less next year, while 32 percent will stand pat at the 1981 level.

Among travel users, where 54 percent are spending more this year than last, only 40 percent expect to continue escalating. Another 28 percent hope to cut back some, and the remaining 32 percent will hold their expenditures on a par with 1981.

Although these figures show a slightly lower intensity in expansion of incentive plans, they will reflect a relative vigor in the technique, with the great majority spending as much or more than they have. And, in the history of these surveys, a majority indicating heightened spending, as they did for 1980 and 1981, is unusual. "Increase" is, too, a relative word that can change with time and with interpretations. A very small increase can turn into a larger one if market conditions demand it; a flat budget can turn into an increase when the need is there and the results call for additional expenditure.

The state of the economy at this point suggests that trade incentives—both dealer and sales—will be in demand at least through the first half of next year to help marketers squeeze every available sales dollar out of a languid marketplace. ■

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TRAVEL INCENTIVES
$988,813,000

The expansion of incentive travel—going at a high rate for a decade—slowed somewhat in 1979. But in 1980 travel staged a comeback of sorts, relative to the rest of the incentive field and to merchandise incentives in both sales and dealer categories.

Growth was not spectacular—an estimated 13 percent. But it was enough to exceed the total field's increased spending of 12.3 percent . . . the 12.1 percent rise in merchandise sales incentives . . . and the 9.7 percent increase in dealer merchandise programs.

Sales incentive travel climbed 14.6 percent in 1980, to a new high of $471,446,000, while trips for dealers were up 11.5 percent to $517,367,000. The total neared the $1-billion mark for the first time, logging a 13 percent gain to $988,813,000—and was to pass that milestone in 1981, with an estimate of $1,119,888,000 for this year, 13.3 percent ahead of last year's pace.

While sales incentive travel outstripped dealer programs last year, the reverse was considered likely in 1981, according to the users' predictions—sales force cam-

FAST FACTS . . . Incentive Travel

✓ *Two years of strong growth, with spending on incentive travel up 13% in 1980, and another 13.3% in 1981. Travel accounted for 26% of trade activity in 1981.*

✓ *Sales force incentive travel up 12% in 1981, to $471 million, and dealer incentive travel up 14.4%.*

✓ *Most of top 10 users had healthy increases. Insurance—the largest user—was up 14.4%. Only exceptions to 1980 growth: Auto Parts, up 8.1%; and Farm Equipment, remaining the same.*

✓ *Users are holding line on trip costs, up just 3% from 1980 to 1981. Average went from $1207 to $1248, while median was $1000 for both years.*

✓ *Result: biggest swing to domestic sites since* IM *began survey on this question in 1974. Sales force travel: 65% of dollars spent at domestic sites, 35% overseas. 44% of dealer travel money spent domestically, 56% on foreign trips.*

✓ *Results and participation levels holding up. Median sales increase for sales force travel program was 9%, for dealer programs, 7%. 29% of eligible sales force won typical trip, against 27% last year, while 24% of dealers earned trip, against 23% in 1980.*

paigns are said to be increasing in dollar expenditure by just 12 percent, while the promotions aimed at retailers and distributors are moving up by 14.4 percent.

Travel last year accounted for 11.4 percent of all incentive spending, and 27.6 percent of trade incentive dollars, a new high share. This year, the overall share will not change greatly—an estimated 11.5 percent—but the share of trade efforts will probably drop to 26.5 percent, because of increased plans for spending on merchandise award programs. All trade promotion is going up at a forecast rate of 18 percent this year, with the merchandise segment of sales incentives taking the largest gain, 22.5 percent. Dealer merchandise offerings will also outweigh travel, the survey respondents told us, by 15.7 percent compared with 14.4 percent.

The economic problems that were blamed in part for a slowdown in travel in 1979 spending have not disappeared, and their effects are still felt. Inflated costs of every travel element from air fare to hotel accommodations—and the uncertainties that such costs will be able to be held to original projections—have caused some users to keep a tight rein on their budgets.

Shorter trips, domestic sites, help hold down costs

A good share of the budget control has come in choosing domestic destinations rather than foreign—and also, apparently, in shorter overall duration.

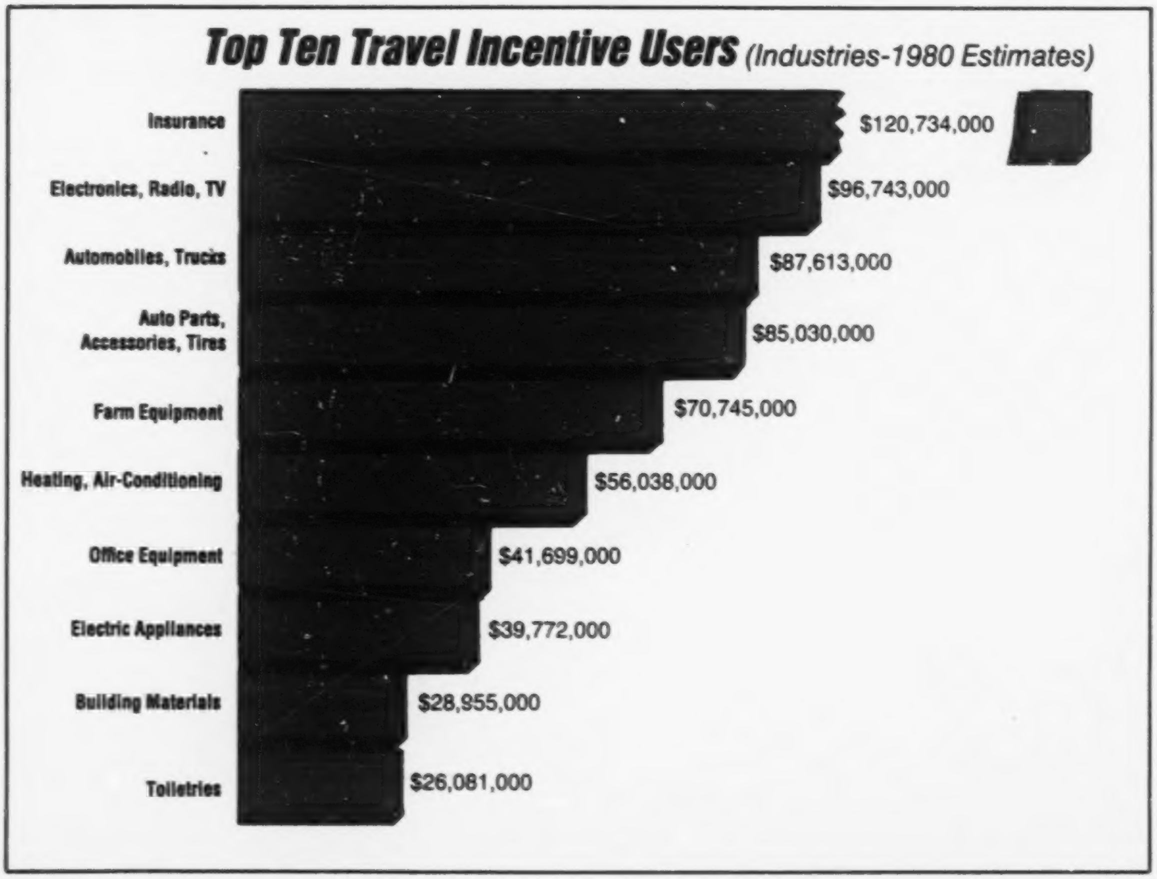
The latest survey shows 58 percent of all travel dollars reported in 1980 were for domestic travel. This is the largest share for domestic travel since we first surveyed the question in 1974. In the last survey, for 1979, the result was almost opposite—57 percent of all expenditures were for foreign trips.

Part of the shift has been caused by another realignment in travel programs—the larger growth of sales incentive trips, where domestic destinations have always been favored. In 1980, sales incentive travel was 65 percent domestic, only 35 percent foreign. For dealer programs, the breakdown was 44 percent domestic and 56 percent foreign.

In the total picture of unit trip costs, users have done remarkably well in holding the line—another indication that they have made program changes to keep cost increases from getting out of hand.

The average unit cost among the survey respondents is $1248, against $1207 in the previous study—with the median at $1000 for both years. To spend only a little over 3 percent more for a trip for a couple, they surely cannot be buying the same distance or duration they were buying in a previous period.

There has been no change in this year's reports indicating the



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industries that are the Top Ten users of travel, although there is one shift in position on the list.

Seven industries not in the Top Ten spenders increased their investment in incentive travel last year by more than 15 percent:

Industrial Chemicals	+18.9%
Hardware	+17.7%
Paints & Varnishes	+17.1%
Electrical & Lighting Equipment	+15.7%
Sporting Goods & Toys	+15.2%
Furniture & Floor Coverings	+15.1%
Publishers, Printers & Broadcasters	+15.1%

Though effectiveness has lessened, enthusiasm is high

The effectiveness of travel incentives in 1980 and 1981 does not show a totally consistent pattern, but generally appears to have slipped a bit—yet not enough to dampen users' enthusiasm for the technique to any great extent.

In general, sales incentive travel appears to have cost somewhat more than merchandise programs in the same period—while dealer programs cost about the same last year and a bit less now. The comparisons relate to overall estimates of cost as a percentage of incremental sales during the campaign period.

The first step in evaluating any incentive program is usually a reading of increase in sales volume during the promotion. By that measure, the users in the latest survey report improved results this year over their 1980 performance.

Users of sales incentive travel plans indicated they gained an average of 16 percent last year, but have raised that to 20 percent for 1981.

On the dealer side, 1980's yield of 15 percent greater sales has risen a bit to 16 percent.

Among sales incentive users, these travel results were somewhat better than they experienced in merchandise programs—15 percent last year and 18 percent for 1981. Dealer users did better with travel than merchandise (14 percent) last year, but this year the advantage has switched to merchandise promotion, 17 percent vs. 16 percent.

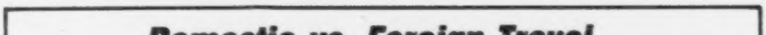
Since some users, by the nature of their industries or their sales methods, characteristically enjoy rather high percentage increases, the median gains are quite a bit lower than the averages. This year the median sales incentive gain is 9 percent, compared with a median of 7 percent for those aiming their promotion at dealers.

Participation levels prove an effective success monitor

The level of participation by eligible people is another important gauge of the effectiveness of an incentive activity. For both types of travel usage, this has improved a bit from 1980 to 1981. Sales incentive users report 27 percent qualified for travel awards last year, and 29 percent are earning trips now. In dealer campaigns, the comparable figures are 23 percent and 24 percent. In all cases, these participation levels are 7 to 10 percentage points below the same results in merchandise promotions.

The unit cost of trips, as has

User budget control has been helped by more emphasis on domestic sites, partly caused by the growth of sales force incentive travel.


Domestic vs. Foreign Travel

% of Dollar Expenditures

been noted, held the line extremely well between 1980 and 1981, indicating a trimming away of miles or days or other elements of a trip. It appears, however, that those promoting to dealers and distributors have been slightly less successful—or less interested—in cost-cutting. Dealer trips a year ago averaged $1098 in cost, while the present year's cost is up to $1276. In sales incentive plans, however—where domestic destinations are favored—the average cost rose only from $1103 to $1240. For all, though, the median cost is still $1000 per couple.

Travel users keep incremental costs in check

The real figure to watch, however, is the one that tells how much of your hard-won extra volume has been spent in the effort to bring it in—the cost as a percentage of incremental sales.

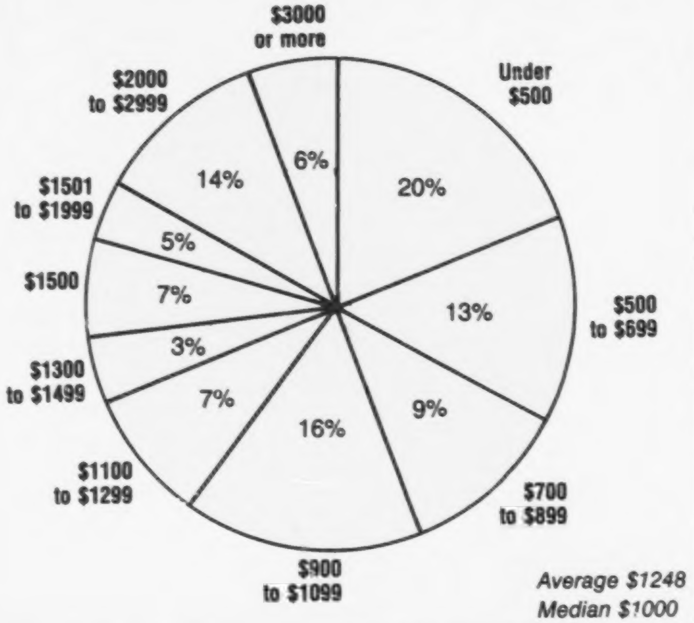
Travel users generally have held this cost in check better than those conducting merchandise plans. The cost-effectiveness of dealer travel programs is reported as stable in both years—10 percent of incremental sales. For sales incentive promotions, the cost moved up from 12 percent in 1980 to 13 percent this year. Looking at the medians, however, the picture is less positive. The sales incentive median cost rose from 12 percent to 15 percent, and the dealer average from 10 percent to 11 percent.

Nevertheless, this movement in cost-effectiveness does not appear to be shaking the intentions of users to continue with their travel programs. In some past years, the percentage of incremental sales has risen to averages of 12 percent or 13 percent without a deterrent effect. Thus, to hold the line even this well is a tribute to management of the incentive programs.

The progress of incentive travel usage in these two years has been far from spectacular—far from the rapid growth in many previous years. But travel has come out slightly ahead of the average for the total incentive field in both years—and with a good performance record among its users.

Cost of Incentive Trip

(Per Qualifier, including Spouse in Most Programs)



Average $1248
Median $1000

Users are holding trip costs in check: the average in this year's survey is $1248, up only 3% from a $1207 average last year. This is a further indication that program changes are being made—such as shorter trips and more domestic sites—to keep these increases from getting out of hand.

The economic seesaw that led to some increased emphasis on consumer promotion in 1980, partly at the expense of trade motivation, has shown distinct signs this year of teetering the other way, with an upswing in trade incentives. Merchandise promotions seem to have been the first beneficiaries—with reason, since the planning and lead time requirements of travel are greater—travel programs that were not planned by last spring were not likely to happen this year.

In today's economic climate users need trade incentives

Entering our second recession in a short period, American business needs the flexible tools of trade incentives to a somewhat higher degree than it needs intensified consumer promotion. Trade programs, travel or merchandise, are more predictable, manageable, and versatile.

In the uncertainty of the depth or length of this recession, forecasting becomes a shaky business. And the implications for 1982 in the latest survey reports have not yet been fully analyzed.

But there are early indications that all incentive effort—certainly including travel programs—will move ahead next year at a livelier pace than we have seen recently. Whether still in recession or emerging from it, strong motivation will be sorely needed. ■

CONSUMER PREMIUMS
$4,313,054,000

A change of course by many users of consumer promotions late in 1980 and early this year brought a marked shift in the outlook for consumer premium programs in 1982—and a sharp change in the earlier estimates for this year's usage.

The result of these apparent reappraisals of market conditions was a slightly smaller expansion of consumer efforts in the latter part of 1980—plus a suggested sharp curtailment this year.

Trade incentive activity—notably sales incentives—is the clear beneficiary of the changes. It may not be that users made a conscious budget shift from one incentive technique to another—many do not use both types. But the overall effect of lessened consumer emphasis and heightened trade effort produces the same result.

IM's January 1980 Incentive Forecast dubbed last year "The Year of the Consumer," on the basis of estimates consumer promotion would advance by 14.9 percent, while trade incentives were seen as lagging somewhat—about 11 percent over the 1979 rate. At that time, the trend was seen as

FAST FACTS . . . Consumer Incentives

✔ *One good year, one weak year: that was 1980-81 in consumer incentives. American business increased spending on consumer incentive programs by 12.3% in 1980, but then grew just 8.8% in 1981.*

✔ *Even more revealing: manufacturers increased their spending on consumer incentives just 5.6% in 1981. Retailers upped their dollars by 12.2%.*

✔ *And techniques associated with manufacturer's promotions lagged in 1981: self-liquidators, up 6.3%; free mail-ins, up 10%; and sweepstakes, up 6.0%.*

✔ *Trading stamps had healthy 1980, gaining 11.4%. But more woes in 1981, and increase fell to only a 2.8% gain in dollars.*

✔ *Users are spending more in 1981 than in 1980, but the rate of increase has dropped below that of last few years. Reflects shaky economy, when promotion attention often turns to trade incentives.*

✔ *Free is still the magic word in consumer promotion. When asked to match most effective premiums for various marketing goals, top honors went to direct premiums, factory-packs, free-in-the-mail offers.*

✔ *Self-liquidator continues as most cost-effective consumer premium promotion, say these users.*

CONSUMER INCENTIVE SPENDING—1980

Food Products	680,116,000
Toiletries & Cosmetics	214,813,000
Banks, Savings & Loans	165,853,000
Housewares, Home Furnishings	74,583,000
Petroleum Products	69,710,000
Auto Parts, Accessories, Tires	69,141,000
Detergents & Cleansers	66,050,000
Beer, Ale, Soft Drinks	65,885,000
Publishers, Printers, Broadcasters	61,230,000
Feed, Fertilizer, Farm Supplies	53,275,000
Office Equipment	50,321,000
Insurance	46,272,000
Electronics, Radio, TV	28,023,000
Pharmaceuticals	27,296,000
Building Materials	24,532,000
Electric Appliances	21,981,000
Paper Products & Packaging	20,666,000
Apparel	19,276,000
Industrial Chemicals	13,185,000
Sporting Goods & Toys	12,621,000
Heating & Air Conditioning	11,941,000
Paints & Varnishes	11,215,000
Electrical & Lighting Equipment	11,132,000
Farm Equipment	10,111,000
Furniture & Floor Coverings	8,712,000
Public Utilities	8,096,000
Hardware	7,832,000
Machinery & Supplies	7,523,000
Automobiles & Trucks	6,581,000
Luggage, Jewelry, Accessories	5,523,000
Miscellaneous Manfacturers	388,426,000
Distributors & Wholesalers	308,133,000
TOTAL	$2,570,054,000

LEADING USERS-CONSUMER INCENTIVES

Self-Liquidators

1 Food Products
2 Toiletries & Cosmetics
3 Banks, Saving & Loan
4 Auto Parts, Accessories, Tires
5 Detergents & Cleansers
6 Beer, Ale, Soft Drinks
7 Petroleum Products
8 Building Materials
9 Feed, Fertilizer & Farm Supplies
10 Pharmaceuticals

Direct Premiums

1 Banks, Savings & Loan
2 Housewares, Home Furnishings
3 Toiletries & Cosmetics
4 Petroleum Products
5 Publishers, Printers, Broadcasters
6 Food Products
7 Office Equipment
8 Beer, Ale, Soft Drinks
9 Feed, Fertilizer, Farm Supplies
10 Auto Parts, Accessories, Tires

Sweepstakes & Contests

1 Food Products
2 Toiletries & Cosmetics
3 Publishers, Printers, Broadcasters
4 Petroleum Products
5 Auto Parts, Accessories, Tires
6 Banks, Savings & Loan
7 Beer, Ale, Soft Drinks
8 Insurance
9 Building Materials
10 Electronics, Radio & TV

Free Mail-In Offers

1 Food Products
2 Insurance
3 Toiletries & Cosmetics
4 Detergents & Cleaners
5 Electric Appliances
6 Publishers, Printers, Broadcasters
7 Beer, Ale, Soft Drinks
8 Paper Products, Packaging
9 Feed, Fertilizer, Farm Supplies
10 Electronics, Radio, TV

Factory-Packs

1 Food Products
2 Toiletries & Cosmetics
3 Office Equipment
4 Detergents & Cleansers
5 Pharmaceuticals
6 Beer, Ale, Soft Drinks
7 Apparel
8 Publishers, Printers, Broadcasters
9 Feed, Fertilizer, Farm Supplies
10 Paper Products, Packaging

Coupon Plan

1 Food Products
2 Feed, Fertilizer, Farm Supplies
3 Tobacco Products
4 Toiletries & Cosmetics
5 Industrial Chemicals
6 Detergents & Cleansers
7 Paper Products, Packaging
8 Electronics, Radio & TV
9 Electrical & Lighting Equipment
10 Pharmaceuticals

likely to continue into 1981—with an especially stronger forecast for self-liquidators, predicted by users as rising more than 20 percent this year.

The final estimates for 1980 did not change the picture vastly. Consumer promotions did advance more than trade—but by 12.3 percent instead of 14.9 percent. And trade promotion stepped up about 11.6 percent. But the users' new forecasts this year for 1981 spending showed clearly why the steam was partly taken out of the 1980 consumer growth.

Their new forecasts were made in the period of March through May of this year. And they show a complete turn-around of the earlier trend that almost got going. Manufacturers' consumer promotions for this year are now expected to advance a paltry 5.8 percent; retailers will be a bit more active, up 12.2 percent. But incentives for retailers and distributors will be increased by an estimated 18 percent before this year has ended.

The new estimate of manufacturer promotions in 1980 is $2,570,054,000—with an indicated growth this year to an annual rate of $2,719,211,000.

Retailers spent another $1,743,000,000 to promote to their customers last year, and are expected to account for $1,956,000,000 of 1981 spending.

Most growth is close to inflation rate

Only one type of consumer premium promotion—the small coupon plan category—approached the overall expected growth level last year, with 14.9 percent. The other types were remarkably close together in their expansion—and that "expansion" was very close to the inflation rate. Direct premiums increased 11.9%, to an estimated rate of $672,977,000 in 1980. Self-liquidators and free mail-ins rose by exactly the same rate, 12.1%, to $790,693,000 and $337,105,000. Factory-packs also accounted for a 12.1 percent increase, to a total of $357,434,000. And sweepstakes & contests cost marketers $144,250,000 last year, up 11.1 percent. Trading stamp usage increased by 11.4 percent, to $458,000,000. Other retail promotion was up 14 percent to $1,285,000.

In most cases, however, the 1981 forecast makes last year's growth in spending look lavish. Only in factory-packs do the users report they are now spending significantly more—19.3 percent ahead of last year, for a new estimate of $426,419,000.

One consumer promotion type—the direct premium—is actually expected to decline in dollar expenditure for 1981—by 5.6%—for a total of $636,290,000, about $37-million under the 1980 figure.

Users' forecasts showed that in 1981 the coupon plan will probably increase by 9.6 percent; self-liquidators, 6.3 percent; free mail-ins, 10.0 percent; and sweepstakes, 6.0 percent. Trading stamps will increase only 2.8 percent in dollars spent, while other retail promotion to consumers is estimated to be 13.1 percent ahead of last year's pace.

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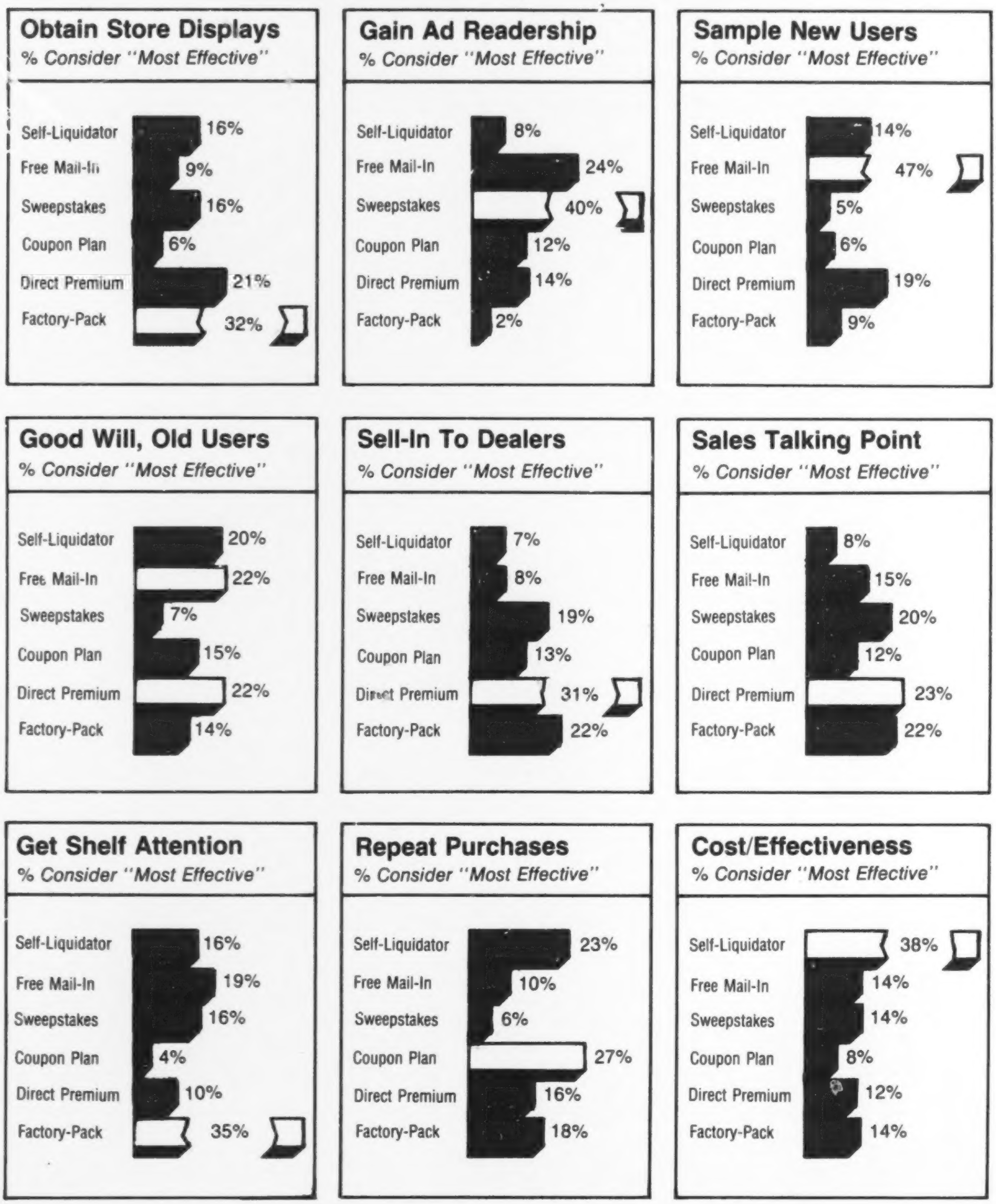

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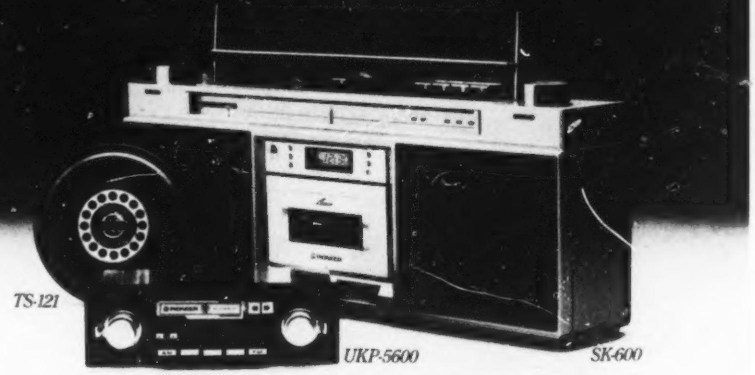

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The greatest expansion in consumer premium activity reported in 1980 was for Electronics, Radio & TV manufacturers, up by 22.0 percent. This industry also increased its trade promotion efforts substantially, and overall spent 17.9 percent more than in 1979.

A closer look at individual industry plans

But the industry with the second-largest growth in consumer spending showed a very different picture. While this area was up by 16.9 percent among makers of Auto Parts, Accessories & Tires, they actually reduced slightly their dealer incentive spending—while sales incentives were up. This is probably a natural outgrowth of an industry trend, rather than any economic indicator.

The automotive aftermarket for several years has been tending to move somewhat away from its former reliance on heavy incentives to the jobber and dealer trade—and is now more inclined to attempt to motivate all three levels with promotions which have a consumer orientation. This has been accelerated by the trend toward do-it-yourself car repairs and service, which is becoming an important part of the total market.

Office Equipment firms increased consumer efforts 16.5 percent last year, while also upping their outlay for trade incentives by almost as much.

Almost the same growth—16.4 percent—was reported by Banks and Savings & Loan associations, in a year when they were hampered in their planning by the threat of outlawing premiums by the Depository Institutions Deregulation Committee.

Two other industries kept the faith with the forecasts by increasing consumer promotion spending more than the 14.9 percent originally estimated—Detergents & Cleansers (+15.5 percent) and Furniture & Floor Coverings (+15.3 percent).

The weakest record on consumer incentive spending was turned in by the troubled Farm Equipment industry, which dropped a fraction of a point and $25-million from its budget. Others who did not quite make it to two digits were Beer, Ale & Soft Drinks (+9.2 percent), Housewares & Home Furnishings (+6.0 percent), Machinery & Supplies (+8.7 percent), Petroleum Products (+6.1 percent) and Public Utilities (+8.6 percent).

Analysis of the users' reports from most industries shows that *more* of them are spending *more* for consumer promotion than was true a year ago. In the 1980 survey, the highest showing of increase—by number of users indicating higher spending—was 49 percent, with a large percentage keeping budgets unchanged.

This year's survey shows, however, that a majority is spending more in every one of the six consumer categories. They just are not spending *as much more* as they had previously anticipated. Here is the way their estimates compare for the two years:

	% Who Will Increase	
	1980	*1981*
Direct Premiums	49%	60%
Factory-Packs	43%	65%
Coupon Plan	44%	56%
Self-Liquidators	38%	53%
Free Mail-Ins	35%	60%
Sweepstakes & Contests	42%	54%

On the other side of the ledger, the largest percentages of defectors were 21 percent who planned to cut the use of sweepstakes and 19 percent who said they would spend less on self-liquidators.

The effectiveness of consumer incentives has not changed significantly, however. The present survey asked for opinions of those users selling through supermarkets, our major retail arena, on the best types of incentive to serve each of eight different sales objectives. This was not included in last year's survey, and the most nearly comparable figures are from a survey in 1979. The results, however, are not different in major respects.

Direct premiums meet numerous objectives

One thing that emerges from this study is the clear conclusion that "free" is best. Direct premiums got the top vote in three of the objectives, the related factory-packs in two, and free mail-ins in another.

The direct premiums are considered the most effective to achieve good will with old product users (tied with the free mail-in), for sell-in to dealers, and as a sales talking point. The last is one case where the lead has changed hands since 1979, but only by a small margin—the previous winner was factory-packs, considered best by 22 percent this time, with 23 percent going for the separate direct premium.

Factory-packs still hold sway as the leader to get shelf attention in the supermarket and to obtain store displays.

The free mail-in offers scored the strongest favorable vote of all—47 percent selection by the users—as the best type of incentive to sample new users.

Sweepstakes took the honors as a means of gaining ad readership, and the coupon plan was considered the most effective route to repeat purchases.

The ninth part of this question to the users was on overall cost-

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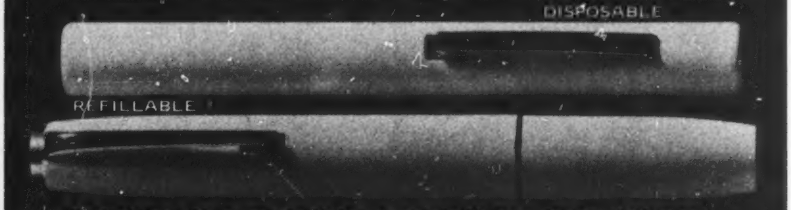

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effectiveness. There, the self-liquidator, which led in no other area, was the undisputed leader, chosen by 38 percent of the respondents.

The role of the cents-off coupon

Along with the six consumer premium techniques, the IM survey asked readers to rate cents-off coupons on all of the eight objectives. It is not surprising that many marketers hold to the view that the discount coupon is a device that can solve most problems. More than a third favored it over the premiums in all but one of the eight goals; only 28 percent consider the coupons superior to get shelf attention. The answers ranged from that low to a high of 46 percent, who believe discount coupons are the best route to repeat purchases.

And 41 percent even voted the cents-off devices most cost-effective.

In the area of retail promotions, the principal growth area remains continuity promotions, although they are more and more taking new forms in recent years. In addition to the traditional piece-a-week continuity, there has been increased use of tape plans, offering a choice of several items upon accumulation of so many dollars' worth of register tapes. Short-term stamp programs have also sprung up—using what amounts to trading stamps, but short in duration, offering a limited choice of items, and economically scaled to a much lower cost than the traditional trading stamp program. Games have been on the decline for a couple of years, but are still in the picture.

Trading stamps, which had been on a moderate comeback road since 1976, lagged a bit in relation to forecast in 1980. Against a previous estimate of 13.4 percent, growth to $466-million, they came in about $8-million short, for an 11.4 percent increase. But this year has dealt the stamp industry several harsh blows—drops by A&P and National food chains and by National Car Rental, as the major contributors of trouble. Stamp companies have been able to replace some of the lost accounts, but not enough. Hence a prediction of growth which is actually a decline in the face of inflation—up an estimated 2.8 percent this year, to about $471-million in a year when the industry expected to pass the half-billion mark quite comfortably.

The record of manufacturing industries in 1980 consumer promotion resulted in some shifts in their relative positions as volume users. In the top ten industries, Beer, Ale & Soft Drinks dropped from sixth position to eighth, with Automotive Parts, Accessories & Tires and Detergents & Cleansers moving up.

Electronics, Radio & TV, one of the strongest industries in consumer spending last year, surpassed Pharmaceuticals by a fairly small margin, and Farm Equipment dropped two positions, below Paints & Varnishes and Electrical & Lighting Equipment.

Overall, the spending for consumer promotion of all types, including retail activity, amounted to $4,313,054,000 last year—just under half the total field, 49.9 percent. In most previous years, this segment has held a majority position by a percentage point or two at least. For 1981, the share is expected to drop to about 48 percent—$4,675,221,000 out of a total of $9,740,332,000.

Traditional happenings in a recessionary economy

The 1980-81 economic picture has not been one to inspire confidence in plans for marketing as usual. Traditionally—as in 1974-75—consumer promotion tends to lag in a recession period, while trade incentives may take an upturn. Many marketing executives find the tools of dealer promotion and particularly sales incentives—more flexible in solving problems of hard sell, inflation, product-mix questions, market identification and other unsettled or unsettling situations.

Coming out of one recession and facing the likelihood of another one, incentive users made the judgments that caused drastic revision in patterns that had been anticipated a few months earlier. They probably made the right decisions.

The next question is: How long will this new direction last? Will things turn around to a more normal type of approach next year?

1982 promises to be bigger consumer year

Final analysis of the forecast data for 1982 incentive usage has not been completed, but the preliminary indications are that the situation will reverse itself again—or, perhaps more accurately, users in the latest surveys *think* it will.

Their latest guesses seem to indicate they are betting on a change, and will increase their consumer incentive spending at a strong pace next year.

If they do, it will be a most favorable indication for the entire national economy. Trade incentive promotion we have always with us, as the engineers of distribution. But strong consumer protection is a reflection of a healthy economy. ■

DO YOU BELONG IN THE INCENTIVE MARKET? FIND OUT BEFORE YOU TAKE THE PLUNGE.

Robert J. Sullivan, president

Practically everybody with a consumer product, at one time or another, thinks about taking it into the incentive market. A lot of people even do something about it . . . exhibiting at premium shows, running ads, signing reps.

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So if you want to be in the incentive market, contact us. That call or letter may be the smartest thing you've done in a long time.

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OUTLOOK '82

IM Reader Survey Calls 1982 . . .

A Tough, Cautious Year

If you made a New Year's resolution for 1982 to know just what you are doing in your marketing plans, it would have been a good idea to write it with a pencil—one with a good eraser.

The many uncertainties of the past seven or eight years may come out looking rather pale compared with the task of anticipating the national economy in 1982. This is, necessarily, a fact that bears heavily upon the business of forecasting incentive usage by American business for the year.

Users' projections of their planned spending for the coming year—made at a time when futures were still uncertain but a new recession was not widely expected—may be subject to major revision, and a few grains of salt.

Within this murky context, it appears that overall spending for incentive promotions this year will be at a rate about 12.1 percent above 1981—for a new total volume estimated at $10,914,913,000.

The 12.1 percent growth rate continues the downtrend in expansion that has been evident since the 1976 upturn of 18.7 percent, which followed a significant drop in incentive programs the year before. Except for a slight bump of four-tenths of a percentage point last year, incentive activity has grown at a slower pace each succeeding year.

Continuing a trend begun last year, the trade incentive portion of the market, users tell us, will grow at a slightly faster rate than the consumer promotion side. Trade incentive activity will be up 12.6 percent, giving it 47 percent of the total market. This compares with a 17.9 percent growth rate posted by users of sales and dealer incentives in 1981.

The consumer promotion side, coming off a dismal 5 percent overall growth last year, should do better in 1982: users anticipate a dollar increase of 12.1 percent, which would be close to the consumer promotion field's growth rate in 1980.

Within the trade incentive category, the forecast finds the emphasis moving toward still greater usage of sales force incentives—as did the forecast a year ago.

Initial estimates for 1981, published in our January 1981 issue, showed sales force incentives taking an increase of 15.3 percent over the previous year.

Revised figures, based upon a mid-1981 survey of **IM** readers, now suggest the sales force incentive increase was closer to 20.1 percent in 1981. Much of that growth came in merchandise awards, where dollar spending increased 22.5 percent. Travel awards for salespeople were up about 12 percent.

> **"*Consumer promotion should run about 12% ahead of last year, led by projected big gains in spending on direct premiums and factory-packs. While not big growth, it would represent a healthy rebound from last year's dismal 5% increase.*"**

Sales force incentives will again be the fastest-growing segment of the field in 1982, but the numbers here—as throughout most of the field—are lower, reflecting the more modest expectations for the national economy in 1982.

The survey estimate is that sales force incentive usage will increase 13.4 percent in 1982, bringing this portion of the field to a record $2,768,503,000. Merchandise

> ***Overall spending on incentive promotion should be up about 12% over 1981, bringing the field to a record $10,914,913,000. Leading the growth will be the trade incentive area, paced by a projected 13% increase in spending on sales force incentives.***

awards, which account for about three-quarters of the field, will again lead the growth, with users reporting they plan to increase spending here 13.9 percent. For travel, users of sales force incentives anticipate an 11.6 percent increase.

The anticipated increases for dealer incentives in 1982 are also more modest than a year ago. Total spending should be up 11.7 percent, against a 15.3 percent gain in 1981. This would bring spending on dealer incentives to a record $1,998,069,000.

In a reversal from last year, spending on travel incentives for dealers is expected to grow at a slightly faster rate than the merchandise side. For dealer travel, the forecast is a 12.1 percent gain, while spending on dealer merchandise incentives will be up 11.5 percent.

While the percentages are modest, the increases in trade incentive activity will evidently come from a wide range of users. Forty percent of the users of dealer incentives—the number was the same for merchandise and travel programs—indicated they plan to spend more in 1982 than in 1981. This figure is slightly higher than the response to last year's survey.

In the sales force incentive area, 38 percent of users said they plan increases in merchandise promotion, and 42 percent plan to spend more on travel than they did a year ago. The merchandise figure is a slight drop from last year, while the travel figure is up one percentage point.

The outlook for the incentive travel field in 1982 is good, but growth will probably not match the dramatic increases which the field has enjoyed in earlier years. Users tell us they plan to increase total spending here by 11.8 percent, bringing the incentive travel field to a record $1,252,754,000. That growth rate would be below the 13.3 percent gain posted last year, but slightly ahead of the growth rate chalked up in 1980.

Incentive Usage

1979-80

Promotion Type	1979		% Incr.	1980		% Incr.	
Sales Incentives (merch.)	1,392,742	1,804,145	14.8	1,558,478	1,999,091	11.9	10.8
Sales Incentives (travel)	411,403		13.9	440,613		7.1	
Dealer Incentives (merch.)	943,306	1,407,123	14.8	1,058,389	1,561,630	12.2	11.0
Dealer Incentives (travel)	463,817		8.9	503,241		8.5	
Self-Liquidators	705,055	2,283,870	14.4	800,942	2,629,030	13.6	14.9
Free Mail-In Offers	300,608		15.5	338,785		12.7	
Direct Premiums	601,674		13.0	681,095		13.2	
Factory-Packs	318,833		12.5	388,976		22.0	
Coupon Plan	232,888		16.5	268,520		15.3	
Sweepstakes, Contests	129,812		16.6	150,712		16.1	
Trading Stamps	411,000		14.5	466,000		13.4	
Other Retail	1,127,000		16.5	1,263,000		12.1	
Business Gifts	658,000		16.0	746,000		13.4	
TOTAL	$7,696,138		14.5%	$8,664,751		12.6%	

> ***“Much of the cause of slow incentive growth in 1981—and probably in 1982—can be traced to the automotive companies and the housing-related industries. While all are still big users of incentive promotion, they are not budgeting the double-digit increases of past years.”***

Users of dealer incentive travel, which accounts for slightly more than half the field, expect to increase their budgets 12.1 percent, while the sales force incentive travel segment should be up 11.6 percent.

While dollar growth may be modest, it seems users are still going ahead with programs. Forty-two percent of sales force incentive users plan to increase their travel budgets, and 40 percent of dealer incentive users expect to spend more. Both of these numbers are increases from a year ago.

On the other hand . . . there's a slight increase in the number of incentive travel users planning cutbacks this year, with 28 percent indicating they are taking that course. Last year, 26 percent of sales force incentive users, and 28 percent of dealer promotion users planned travel cutbacks.

Companies that are heavier-than-average users of incentive travel seem to be planning less dramatic increases or cutbacks. A special survey of travel users, done in mid-1981, found 31 percent planning to increase their budgets in 1982, 12 percent planning to scale back, and 57 percent planning to continue at the same rate.

As the incentive travel field has grown, the annual rate of growth has slowed to where it more or less matches that of the total trade incentive field. Still, in light of the economic uncertainties facing so many of the industries that are major users of incentive travel, a 1982 growth of 11.8 percent would have to be considered a respectable showing.

Consumer promotion in 1982 should run at a rate about equal to the total incentive field—up 12.1 percent, for a total spending of $3,045,341,000 by manufacturers, distributors, and wholesalers. Retailers will contribute another $1,643,000,000 in non-trading stamp promotions, and $515,000,000 for trading stamps.

A 12.1 percent growth rate, while just matching the field's total expectations for the year, would represent a healthy rebound for consumer promotion.

1981-82

Promotion Type	1981		% Incr. (Decr.)		1982	% Incr.
Sales Incentives (merch.)	1,814,068	2,304,911	16.4	15.3	$2,179,233	13.9
Sales Incentives (travel)	490,843		11.4		589.270	11.6
Dealer Incentives (merch.)	1,172,695	1,712,169	10.8	9.6	1,334,585	11.5
Dealer Incentives (travel)	539,474		7.2		663,484	12.1
Self-Liquidators	961,931	2,950,211	20.1	12.2	927,920	10.4
Free Mail-In Offers	360,806		6.5		406,414	9.6
Direct Premiums	762,826		12.0		726,772	14.4
Factory-Packs	441,099		13.4		486,544	14.1
Coupon Plan	282,483		5.2		326,132	11.2
Sweepstakes, Contests	141,066		(6.4)		171,559	12.2
Trading Stamps	531,000		13.9		515,000	9.3
Other Retail	1,428,000		13.1		1,643,000	13.1
Business Gifts	851,000		14.1		945,000	9.0
TOTAL	$9,777,291		12.8%		$10,914,913	12.1%

> ***The outlook for incentive travel is about an 11% increase in dollar volume—not the spectacular growth of the past, but still respectable in light of the economic woes affecting so many industries that are major travel users.***

But even this 12.1 percent figure may be overly optimistic, since it relies heavily on big jumps in just two categories: direct premiums, which is forecast for a 14.4 percent gain; factory-packs, where users anticipate a 14.1 percent hike.

If spending on direct premiums does increase 14.4 percent this year, it would seem to be an impressive rebound from last year, when usage dropped 5.6 percent.

But that seeming dip in direct premium usage last year, and the corresponding rebound this year, may be more paper than real. The greatest part of the projected dip in usage came in the category of Banks and Savings & Loans—threatened during most of 1980 by a Federal move to ban all premium promotion in the financial field.

By the time the prohibition proposal was dropped, and the dust settled in October 1980, plans for 1981 promotion had been set—without premiums in many cases. Yet premium activity by financial institutions was very evident last year, and it seems likely that the next Census of Usage report, to be published in December 1982, will reflect some real growth in direct premium spending last year.

The forecast for a 14.1 percent increase in spending on factory-pack premiums is more in line with recent trends. Spending on this technique—primarily by Food Product companies, which account for half the usage—has grown 12 to 15 percent annually for the last few years.

These spending increases correlate with marketer's evaluation of the factory-pack as an effective promotion technique. A special survey of consumer promotion users last year found they rate the factory-pack as tops for achieving two goals vital to consumer product success: 'Obtaining Store Displays' and 'Getting Shelf Attention.' In a society oriented to instant gratification, the appeal of the factory-pack premium, available immediately with purchase, remains strong.

Mail-in promotions, coming off a lackluster 1981, show slightly stronger usage planned for this year, but the numbers are still well below the total incentive field averages, as they were also last year.

Incentive Users Planning . . .

Promotion Type	Increase	Decrease	No Change
Sales Incentives (Mdse.)	38%	28%	34%
Sales Incentives (Travel)	*42	28	30
Dealer Incentives (Mdse.)	*40	28	32
Dealer Incentives (Travel)	*40	28	32
Business Gifts	30	26	44
Direct Premiums	40	28	32
Factory-Packs	38	32	30
Coupon Plan	*38	30	32
Self-Liquidators	36	28	36
Free Mail-In Offers	31	31	38
Sweepstakes & Contests	36	27	37
TOTAL	36	27	37

*Higher than 1981 reports

Self-liquidators, which account for 70 percent of the mail-in dollar volume expended by incentive users, grew only 6.3 percent in 1981, well below the inflation rate—for a picture of real decline. This year, possibly with somewhat lower inflation, they are expected to chalk up a 10.4 percent dollar gain.

Free-mail-ins did better in 1981—and better than was forecast a year ago—by posting a 10 percent gain over the previous year. For 1982, they are expected to do almost as well—up 9.6 percent.

Sweepstakes and contests, possibly the most visible of promotion techniques these days in supermarkets and print media, will get another boost this year, as marketers increase their budgets 12.2 percent.

One attractive feature of chance promotions is that prize budgets don't have to be increased to match inflation every year. Last year's $50,000 grand prize, for example, doesn't need a raise to $55,000 to re-whet consumer interest. A company can maintain a contest prize level for several years without lessening the appeal.

Thus, the dollar amounts expended on prizes—which is the only area the IM survey measures—probably don't reflect the increased usage of this technique or the impact which chance promotions have had on the marketing scene in the last few years.

As a means of stretching a promotion budget, the sweepstake appeals to economically hard-pressed marketing managers as much as the prizes appeal to hard-pressed consumers.

1981's biggest loser, other than direct premiums, was the trading stamp, which came up with an estimated 2.8 percent growth rate in dollars, in a year when inflation ran about four times that rate.

A&P and National food stores dropped stamps in some divisions, and National Car Rental gave up its long-running S&H Green Stamp program.

There were some victories. Dollar Rent-a-Car promptly picked up the car rental franchise for S&H and, at year's end, Air Florida began issuing stamps on intra-state air travel.

Stamps appear to have stabilized, but growth this year should be below-inflation at 9.3 percent.

The weakest area of all, in terms

1982

"Above Average"
increase in incentive spending

Auto Parts, Accessories, Tires
Banks, Savings & Loan
Electrical & Lighting Equipment
Industrial Chemicals
Luggage, Jewelry & Accessories
Machinery & Supplies
Petroleum Products
Pharmaceuticals
Public Utilities
Publishers, Printers,
Broadcasters
Sporting Goods & Toys
Toiletries & Cosmetics
Wholesalers & Distributors

"About Average"
increase in incentive spending

Building Materials
Detergents & Cleansers
Electronics, Radio & TV
Food Products
Grocery Retailers
Housewares, Home Furnishings
Paper Products & Packaging

"Below Average"
increase in incentive spending

Apparel
Automobiles & Trucks
Beer, Ale & Soft Drinks
Electric Appliances
Farm Equipment
Feed, Fertilizer, Farm Supplies
Furniture & Floor Coverings
Hardware
Heating & Air-Conditioning
Insurance
Office Equipment
Paints & Varnishes
Retailers (other than grocery)

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Company ________
Address ________
City________ State________ Zip________ IM22

Circle No. 153 on Buyer Action Card

of projected growth, is business gifts, which users plan to increase by only 9 percent, bringing this portion of the field to $945 million.

After a number of years of relatively small expansion, business gift usage accelerated in 1979, with a jump of 16 percent over the previous year. The next two years saw estimated increases of 13.4 percent and 16.2 percent.

This year, the picture is considerably more conservative. While some 30 percent of executives surveyed say they will spend more for gifts, 44 percent—the largest percentage for any technique—indicated they will stand pat with last year's budget. The remaining 26 percent plan to cut back on their business gift purchases.

Much of the slow total incentive growth in 1981, and probably in 1982, can be traced to some key indicators of the overall economic problems of the nation—the automotive and housing-related industries.

Automobiles & Trucks and Farm Equipment both show growth plans well below the inflation rate, representing an actual decline in incentive activity. Promotional effort in these industries has continued at a high rate, but the declining volume of sales means fewer dollars expended for many programs.

The automotive aftermarket—Auto Parts, Accessories, Tires—is forecasting expenditures above the average rate, showing the high activity that is often seen when the original equipment market falters.

In the realm of housing and related industries, only two components plan average or above-average expansion in 1982. Building Materials forecasts an average expansion, while Electrical & Lighting Equipment forecasts an above-average growth in incentive spending.

Four other industry groups affected by the housing market are all on a relative downtrend in incentive usage: Hardware; Heating & Air Conditioning; Electric Appliances; and Furniture & Floor Coverings.

For many of these hard-pressed industries, average growth would represent an improvement. Last year, virtually all housing-related industry groups fell into the below-average growth forecast.

Ten other industry groups indicate expansion of their incentive activity at a rate somewhat above the field's average. Banks and Savings & Loans, which had shown some weakness in the forecast figures for 1981—probably due to uncertainties about the possible premium ban—now appear ready to greatly accelerate their incentive usage. Industrial Chemicals; Machinery & Supplies; and Petroleum Products all anticipate healthy increases in 1982—expressing relatively greater confidence in the economic prospects for many industrial segments.

Others saying they will use incentives more this year are Luggage, Jewelry & Accessories; Pharmaceuticals; Public Utilities; Publishers, Printers & Broadcasters; Sporting Goods & Toys; Toiletries & Cosmetics. Wholesalers & Distributors in all lines expect good growth.

Both Food Products and Grocery Retailers told us they expect only average increases in 1982. In addition to these and Building Materials, other middle-of-the-road spenders this year will probably include Detergents & Cleansers; Electronics, Radio & TV; Housewares & Home Furnishings; Paper Products & Packaging.

Of the 11 types of incentive promotion surveyed, only four categories show a greater number of companies increasing usage, as compared with their plans stated a year ago. Only one is a consumer technique—the relatively small Coupon Plan—which 38 percent of its users say will receive enlarged budgets this year.

The other increases are all in the trade incentive area. The largest percentage of companies planning increased spending for a single technique is the 42 percent who will budget more for sales force travel programs in 1982. Among dealer incentive users, 40 percent say they will spend more for both merchandise and travel programs.

On the average, 36 percent of the companies reporting said they will increase their incentive spending this year for all types of programs. A year ago, 38 percent gave that indication. About 27 percent plan to reduce expenditures this year, compared with 25 percent taking that course last year.

Although factory-packs show dollar expenditures increasing by 14.1 percent this year, the largest proportion of users plan to reduce their spending for them—32 percent. In last year's forecasts for 1981 spending, factory-packs were the smallest area for budget cuts, mentioned by only 19 percent of those using them.

Most of the reports on which these projections are based were made before the beginning of the current recession. Further analysis, industry by industry, has resulted in modification of many of the forecast estimates.

But such prognostications are still fraught with danger. A year ago, IM's forecast report noted that "The bottoming of the recession came earlier than most people had anticipated—but the recovery prospects look poorer and slower than had been hoped. How will these variations in the scenario affect incentive plans for 1981?"

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WELLS LAMONT
STUBBORN ABOUT QUALITY

The outcome of the 1980 recession is now history—but history did not tell us to expect a new one so soon. Thus we are faced with a double uncertainty—the projection of estimated expenditures and activity for 1982 on the basis of still-indistinct 1981 information. (The reports of actual 1981 expenditures will not be available until near the middle of the year).

If the recession ends by mid-year, as some predict, it seems likely the present forecasts may be close to reality. If it deepens and lasts longer, the chances are that today's estimates will look overly optimistic.

The one sure thing is that, with the emphasis already on sales force incentives, that segment of the field is likely to reach the projected volume—or more.

It is often said that sales incentives can achieve any objective that can be influenced by sales personnel. This truism will continue to be tested in 1982, as it has been in the recent past.

Weighting of the incentive mix in the direction of the sales force seems to be a corollary of uncertain economic conditions. The innate flexibility of the technique makes it most desirable when you can be least sure of what will lie ahead in your market. The application of a campaign, and the rules governing salespeople's performance, can be adjusted infinitely—even revised almost at the last minute before the program is launched, if necessary to meet a new market situation.

There is, however, a more permanent bias toward sales incentives—probably tied not only to general increased use of them, but also to the fact that more marketers have learned to apply them effectively in recent years.

In the first **IM Facts** survey (1967), about 18 percent of all volume went to sales incentives. There has been a steady, though somewhat uneven, rise in this share. Last year sales incentives touched 25 percent of the field for the first time, and present forecasts show they will probably edge up to about 25.4 percent in 1982. Before last year, the peak share had been 23.9 percent in 1975—also a year of great economic uncertainty.

While consumer promotion forecasts for this year show a reasonable, if not spectacular growth, the indications already suggest that sales incentives will be the dominant element in this year's incentive spending. This may become even truer if the national economy does not right itself relatively early in 1982.

That is not to suggest consumer promotion will be less important—it is naturally vital in a sluggish market. But management of the entire distribution complex is the priority in this kind of economy. Consumer promotion can stimulate buying—and dealer incentives can improve the flow of goods into the marketplace—but both take more hard work and more skillful planning and manipulation, and that is the realm of the Salesman and Saleswoman.

It looks very much as if 1982 will be their "Year" at least as much as any year in the recent past. ■

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Circle No. 113 on Buyer Action Card

MARCH 1982

incentive marketing

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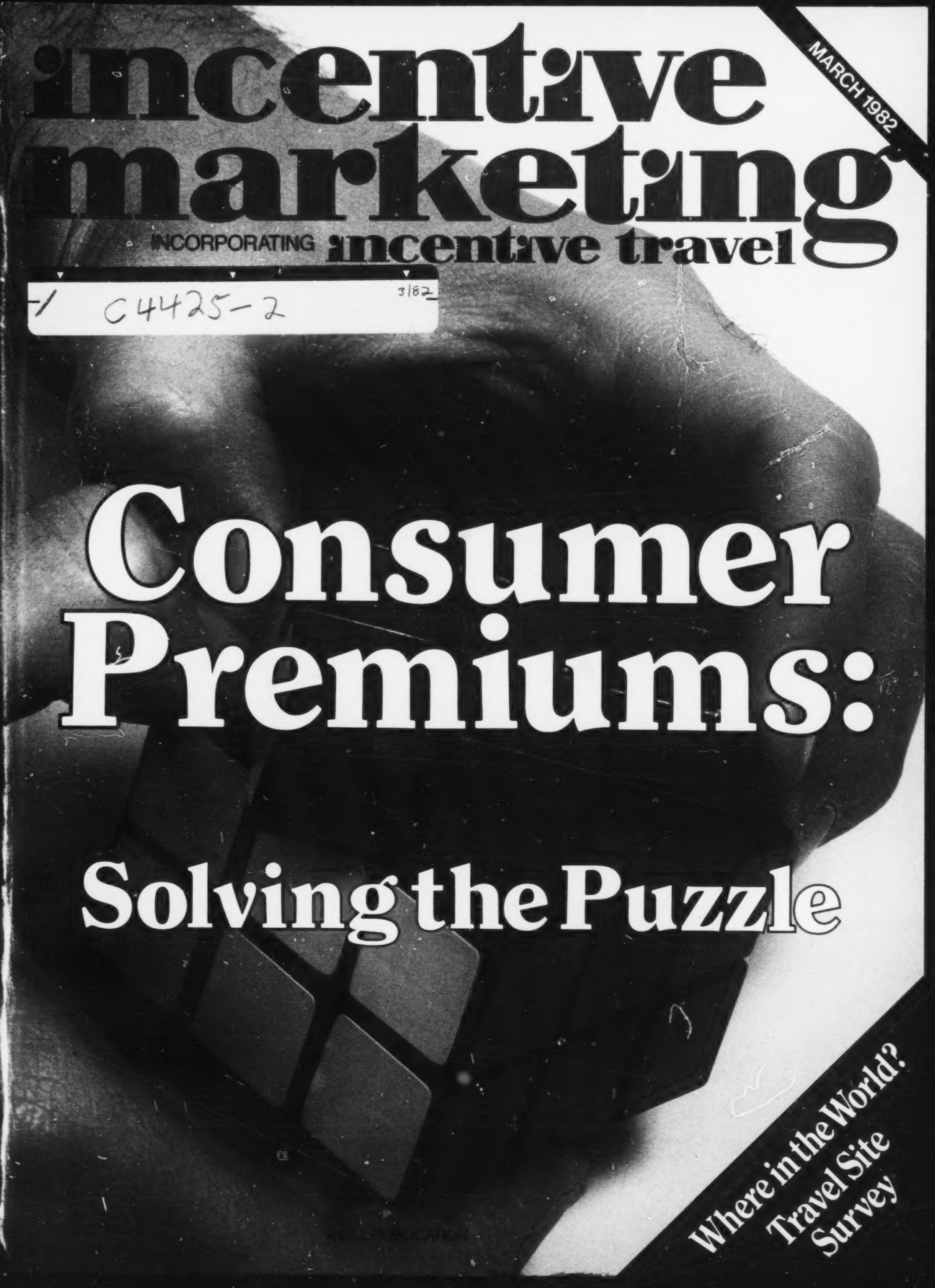

Consumer Premiums:

Solving the Puzzle

Where in the World? Travel Site Survey

A [illegible] PUBLICATION

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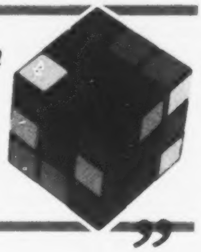
14 *SPEAKING OF INCENTIVES*—The ads and promotions of today are part of the legacy we leave to those of the future, says Richard Kane, president of Marden-Kane Inc., a nationwide full-service promotion agency, and author of the first in a series of articles by incentive professionals.

25 *CONSUMER PREMIUMS: SOLVING THE PUZZLE*—The Rubik's Cube is no challenge compared to the puzzle faced by today's marketers: what promotion will consumers respond to? While there's no right answer, a special IM reader survey makes solving the puzzle a little easier.

40 *WHERE IN THE WORLD?*—The results of an informal IM survey provide a handy rundown of the most popular incentive destinations, with Hawaii ranking as favorite domestic site, while Mexico tops the list of foreign destinations.

Bill publications and divisions: Incentive Marketing, Incentive Marketing Facts, Industrial Chemical News, Institutional Distribution, Jobber/Retailer, Modern Tire Dealer, Plastics Technology, Restaurant Business, Restaurant Design, Rubber World, Sales & Marketing Management, Successful Meetings, BillCom Books & Directories, Integrated Food Services, Market Statistics Inc., Sales Builders, SM Data Bank & Seminars.

> *“Marketers today face a Rubik’s Cube of premium options and alternatives. What are they doing, and how is it working? A special IM reader survey offers some answers.”*



Consumer Premiums:

Solving the Puzzle

If you were a consumer today—only a consumer, and not a marketer—what promotion, or combination of promotions, would you respond to?

Answering that question may be more difficult today than at any time in the recent past. The marketer today faces a Rubik's Cube of promotional alternatives and options—discount pricing, cents-off coupons, self-liquidators, direct premiums, sweepstakes, etc., etc. All have a place in today's complex marketing plan, but putting them all together in a pattern that makes sense can make solving the Rubik's Cube look like a momentary diversion.

Unlike the cube, however, there is no single right answer to this puzzle. But patterns and trends do emerge, and one is that premiums continue to play a vital role in marketing to consumers.

In all, American companies will probably spend something like $3-billion for manufacturer or wholesaler premium promotion aimed at the consumer, and another $2-billion will flow from the retail channels this year.

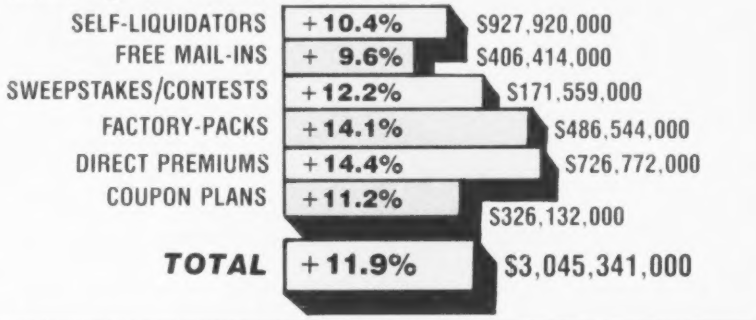
That picture—representing around a 12 percent increase in consumer premium spending—emerges from **IM's FACTS** Census Survey and supplementary studies. Incentive users, generally, are bullish, in spite of the odd economy they face in 1982.

Above-average growth is expected in direct premium types which put the emphasis on the incentive when the sale is made—perhaps mirroring the much-discussed shift toward "instant gratification" in the consumer mind.

Mail-in promotions look rela-

CONSUMER PREMIUM OUTLOOK

Amount of growth forecast for 1982



tively sluggish for this year, with self-liquidators expected to rise only 10.4 percent, and free mail-in offers even duller at 9.6 percent expansion rate.

These percentages reflect the projections in **IM's FACTS** forecasts (Feb. 1982 issue)—and are reinforced by more recent special surveys among consumer incentive users.

We conducted two follow-up surveys this year, with slightly different questionnaires. The first was comparable with our special surveys in the past two years. The second was varied to elicit more information specifically related to mail-in promotion types.

Approximately 300 questionnaires were mailed to each group, and just under 100 of each group responded. These 163 companies provided a more thorough view of the consumer premium field than we have had in several years.

Their responses generally confirmed the broader Census Survey—with one exception. The Census reports had shown a degree of disaffection with the free mail-in offer, with a 9.6 percent increase in expenditures this year.

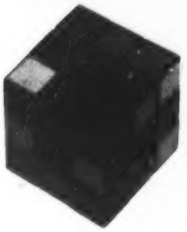
The special survey suggests the final result could be quite a bit bleaker. Some 28 percent of all reporting companies said they used this type of promotion in 1981. But half of those companies told us they do not intend to employ free mail offers this year—in a response tabulated in December and January, as compared with the earlier estimates.

Free-in-the-mail offers have enjoyed a meteoric rise during the past decade. In 1967, the first **FACTS** survey estimated usage at $36-million. By 1977, it had risen to $263-million—and this year is projected at $406-million.

This new technique—actually a revival of the promotions of the 1930s that preceded the growth of the self-liquidator—roared in on a wave of multiple-purchase offers. Here was a way to get the consumer to save 10, 20, 50, 100 purchase tokens from your product—to force relatively long-term product loyalty and continued patronage.

What do you consider the major benefit of premiums in marketing to consumers?

- Product-image building—brand name out in front of the consumers. — *William J. Schmidt, Pabst Brewing Co.*
- Allows use of promotional hype in the media—provides "sizzle." — *W.S. Jack, Ford Parts & Service Division.*
- Adds a unique selling benefit to the generic-type product without eroding profits. — *Thomas G. Faludy, Carefree of Colorado.*
- If the consumer receives a usable item promptly, it helps "push them over the edge" to buy our product. — *Newspaper.*
- "Free" with purchase of a set quantity—the magic appeal of the word "Free." — *John LaRosa, New England Toyota Distributors.*
- We believe instant gratification is a better sales-builder than mail-in, proof-of-purchase seal type of reduced purchase. — *Soft-drink vending company.*
- Increased sales, helps field force sell, something to talk about. — *Tom Kemper, Maremont Corp.*
- In our industry it is to increase the store traffic and sales per consumer for our customer, the baker. — *Cynthia Levine, DCA Co.*
- The use of premiums for marketing our product gives us an edge over competitors of similar quality and pricing. — *Lee Johnson, Pirelli Sales Inc.*
- Increases sales—gain additional market share. — *Automotive parts manufacturer.*
- A premium gets the consumer's attention—nothing more!! —*Thomas Masterson, Tappan Co.*
- Creating interest in product lines—premiums offer a vehicle by which a company can vary the method of promotion to the consumer to meet seasonal demands and maintain interest in the products. — *Oil Company.*
- One tied directly to our product use—e.g., bread pans for yeast, and cookbooks—appeals to both competitive and loyal brand users, and pays off in increased product purchase and use. — *Neil Reay, Universal Foods Corp.*
- Value. — *W.A. Smith, Wix Corp.*



But the concept of the free mail-in has changed. No longer are large multiple proofs of purchase required—the average reported in this survey is 3.8, and the median only two.

The free-in-the-mail premium is expensive—and it becomes more so if multiple purchases are not forced. The uncertainties of our economy today—forced home on respondents in recent months—may be hacking away at the concept more than original reports suggested. Budgetary uncertainty—an almost unavoidable by-product of this type of promotion—is increasingly distasteful in 1982.

The only form of consumer promotion to show less vitality in the 1982 projections than free mail-ins is the trading stamp, seen as rising by 9.3 percent this year, to a level of $515-million. But this is a distinct improvement over last year, when some major stamp drops led to a dollar gain of only 2.8 percent over the previous year's level—following five years of steady comeback from the low point in 1975.

Trading stamps are, of course, primarily a retail promotional device, and the total of retail activity this year is expected to be about on a par with the overall trend in consumer promotion—up 12.2 percent to a total of $2,158,000,000, thanks to a 13.1 percent growth rate in retail promotion other than stamps—continuities, tape plans, games & sweepstakes.

The effectiveness of consumer incentives in achieving a variety of objectives was part of our latest Census survey questionnaire—the first time since 1979 that a full measure of users' ratings of the technique has been taken. The question (reported in **IM FACTS** issue, Dec. 1981) related only to those users whose products are sold through supermarkets.

The free mail-in offer, which half its 1981 users plan to drop this year, according to our special survey, was shown to have the largest number of supporters of any category—47 percent considering it most effective in sampling new users. Yet only 14 percent rated it superior in cost-effectiveness. At the same time, the Census estimates showed expenditures for free offers rising by a modest 9.6 percent this year. It is difficult to understand how even this small increase can be realized if half the users drop the technique. This must represent a sharp change of direction by users since last year's Census estimates—or an atypical representation of these users in the small special-survey sample.

Self-liquidators did not score high marks in any single objective—the maximum being 23 percent who like it for getting repeat purchases; it ranked second in this respect behind the coupon plan. But the liquidator is the undisputed champion premium type for cost-effectiveness—cited by 38 percent of those who use it.

For comparison, the survey included a rating of cents-off coupons as well as six premium types. In general, about one-third of the respondents considered discount coupons more effective than any single premium technique—and they scored highest for cost-effectiveness, 41 percent. Coupons also outstripped any one form of premium in four objectives: Good will among old users, 37 percent; sell-in to dealers, 36 percent; sales talking point, 37 percent; and repeat purchases, 46 percent.

Among high-scoring premium promotions, sweepstakes topped

General Mills
WHEATIES
CRISPY CRUNCHY WHOLE WHEAT FLAKES
FREE INSIDE
FREE!
AQUA VELVA
HEAVY DUTY
DUZ
DETERGENT
Royal Heritage
TUMBLER INSIDE
PDQ
Cracker Jack.

Factory-packs—perhaps the most complicated premiums to develop and execute—were named in a recent IM survey as the "most effective" premiums for placing store displays and gaining shelf attention. Spending should be up about 14% this year.

"March and October are the most popular months in which to start consumer premium promotions, picked by 23%."

the list with 40 percent favoring them to gain ad readership. Direct premiums and the related factory-packs ran ahead of the field in two categories each. Direct premiums were considered tops by 31 percent for sell-in to dealers, and 23 percent as a sales talking point. The on-pack, in-pack and container premiums were voted most effective by 32 percent for obtaining store displays and by 35 percent in getting shelf attention.

IM's special surveys offer a close-up look at the practices and results achieved by consumer premium users in today's market.

The 163 firms responding in the special surveys use an average of almost 2½ types of consumer incentives, with direct premiums the front-runner, as usual, employed by 60 percent.

Sweepstakes are favored by 33 percent and self-liquidators by 32 percent. Both point-of-sale self-liquidators and free mail-ins figure in the plans of 28 percent; 25 percent use traffic builders; 20 percent coupon plans; and 11 percent factory-packs.

In most cases their intentions are to use about the same mix in 1982 as they did last year, except in free mail-ins where, as mentioned above, half plan to drop the method. The only other significant shift is in point-of-sale liquidators, with about 5 percent fewer firms planning them this year than last.

In the area of sales-increase expectations, executives responding said they look for an average gain of 14.3 percent from a mail-in promotion, and 22.5 percent for a point-of-sale offer. The median figure in each case was 10 percent sales growth. Last year, the median for all mail offers was the same, 10 percent, but point-of-sale promotions were at 15 percent. Last year's arithmetic averages were 15.4 percent and 22.9 percent.

While the store-promotion averages are close together, the difference in the median figures shows there were more high-increase results a year ago than among the present surveyed executives. Not only was 10 percent the median result this year, but it was by far the most frequent response for both promotion types.

We asked one group what objectives they target in their mail-in promotions. They indicated, on the average, more than three goals each, in the following order:

Encourage repeat purchases	61%
Sample new users	49%
Induce dealers to stock	41%
Give sales force talking point	37%
Goodwill among existing customers	34%
Increase use of store displays	29%
Gain attention on shelf	29%
Build interest in consumer ads	25%
*Add interest to trade ads	14%
*Dramatize product feature	14%

**not included in previous survey*

To achieve these objectives, about two-thirds of the users employ some form of media advertising. Most-advertised is the direct premium, mentioned by 43 percent of all companies reporting in one survey.

The incidence of ad expenditure then drops off sharply in percentage of all users, because of the smaller number of users of any one type. The next highest are self-liquidators and traffic-builders, both at 19 percent and free mail-in offers at 18 percent.

In terms of media used, point-of-purchase display is the big winner, favored by 60 percent of mail-in

Games & sweepstakes continue as a highly visible promotion technique. Spending should be up about 12%, as more marketers adapt their packages and products to in-pack and instant winner games.

Coffee Cake Jr.
BORDEN
Ralston Purina
WHEAT Chex
Pillsbury's BEST
All Purpose Enriched Flour
$10,000
Over $100,000 in
Royal
Dessert

users. The percentage reporting use of each listed medium was:

Point-of-purchase	60%
Consumer magazines	41%
On-package blurbs	33%
Newspaper supplement	30%
TV/radio	23%
Bouncebacks	20%
Direct-mail	19%

We also asked one group for information on their media budgets. Women's magazines were the top dollar gainer among these marketers, with network television a fair second and the others trailing. Average expenditure among those reporting their budgets was as follows:

Women's magazines	$375,000
Network televison	150,000
Special-interest magazines	72,700
Point-of-purchase	50,200
Sunday supplements	40,300
Trade publications	29,050
Direct-mail (trade)	25,750
*Outdoor	25,000
Daily newspapers	20,661
Direct-mail (consumer)	17,600
General magazines	12,500
Spot television	6,400
Weekly newspapers	6,300
Radio	5,057
Newspaper comics (no report)	—
Other media, unspecified	34,790

One report

In creating the ads, the users indicated that, on average, they devote about 38 percent of print advertising and 25 percent of broadcast time to the premium or sweepstakes.

Display materials, the most common vehicle for mail-in promotions, are used, on the average, by 60 percent of the retailer customers of these executives. They find this is an increase over non-promotion periods, ranging from 13 percent for sweepstakes to 28 percent on factory-packs.

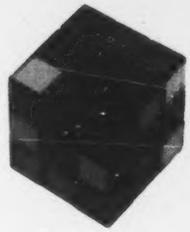
Their estimates of display gain with self-liquidators—despite the fact that this is often a major goal—show an average of only 14 percent. Free mail-ins, they tell us, bring a 23 percent gain, while direct premiums result in a 24 percent extra display usage. Coupon plans and traffic-builders boost display by 25 percent and 27 percent respectively. Discount coupons, the ubiquitous alternative, bring a 21 percent display gain for the average of these marketers.

When does the advertising break—is there a major pattern in the timing of consumer promotions? "In what months do you normally break the offer to consumers?" we asked.

March and October came up strong, with 23 percent of these

Why Consumer Premiums? Because They Can . . .

1. **Generate retail store traffic.**
2. **Increase consumer purchase frequency.**
3. **Switch consumers to another size product.**
4. **Introduce a new product.**
5. **Introduce product into a new territory.**
6. **Introduce new advertising campaign.**
7. **Introduce new use for an existing product.**
8. **Place additional store displays.**
9. **Attract consumer attention to store shelf.**
10. **Give salesperson a talking point.**
11. **Enhance customer goodwill.**
12. **Sample new users.**
13. **Dramatize a new product feature.**
14. **Bring increased attention to advertising.**
15. **Provide a change-of-pace promotion.**
16. **Build interest in on-going promotions.**
17. **Introduce product to a new demographic market.**
18. **Counter competitive promotions.**
19. **Increase the purchase unit.**
20. **Induce off-season sales.**
21. **Boost sale of slow-moving products.**
22. **Stimulate trade purchases.**
23. **Dramatize new product formula or benefit.**
24. **Obtain trade support.**
25. **Provide hook for ad copy.**
26. **Extend advertising impact.**
27. **Catch the attention of prospects.**
28. **Provide a visible plus at point-of-sale.**
29. **Add excitement to store displays.**
30. **Provide opportunity for on-package blurb.**
31. **Increase perceived value of product.**
32. **Add unexpected element.**
33. **Build consumer continuity of purchase.**
34. **Obtain a prospect list.**
35. **Test advertising media.**
36. **Reach adults through their children.**
37. **Rub-off value of premium on product.**
38. **Strengthen a tie-in promotion with other brands.**
39. **Overlay a cents-off promotion.**
40. **Prompt faster payment.**
41. **Close the sale.**



"The free mail-in could face a rough year. Half the companies which reported using them last year have dropped them from plans for 1982. Budgetary uncertainty, an inevitable part of the free mail-in, may be squeezing it out."

users launching their promotions in each month. Second-choice periods, each favored by 17 percent of the respondents, are January, April, May, and September. February runs next, at 15 percent, and the remaining months range from July (8 percent) to November (11 percent).

Whatever the mechanics, the major decision in a consumer premium offer is the choice of the item—and 52 percent of these users say the "wrong item" is the greatest cause of promotion failure.

Wrong timing is a fair second, mentioned by 39 percent. Right behind—improper promotion, blamed for 38 percent of failures. Down the line, they consider weak performance in consumer incentives traceable to improper planning, 33 percent; wrong pricing, 30 percent; poor-quality premium, 25 percent; lack of relation, 15 percent; and competitive promotion, 9 percent.

It is interesting that only 15 percent consider "lack of relation" a cause of promotion failure—while 29 percent of these executives say they always seek premiums related in use to their products. Another 61 percent said they "sometimes" try for such a relationship, and 10 percent consider the matter unimportant. A cousin of this decision point—customized premiums—is favored by slightly fewer of the users. About 25 percent always plan for custom items, while 59 percent sometimes do so—and 16 percent do not care about customization.

Related or not, custom or off-the-shelf, the premium has to bring consumer response. We asked users for their experience with three types of offers—self-liquidators under $10, higher-priced liquidators, and free mail-in offers—and broke down the response by four classes of media—print, broadcast, package, and display. The average reported was 18 responses per 1000 impressions, or 1.8 percent.

For the best response, free mail-ins have a bit of an edge in print media, at an average of 26 per thousand. The weakest response is 11 per thousand for package advertising of self-liquidators over $10.

In the self-liquidator category, the reports bear out the users' answers to another question: "At what price point do you find what you consider a significant fall-off in consumer response?" The average of the users' responses was $11.35, but the median was $10.

The actual reports of consumer response for the four classes of media listed showed an average per-thousand-ad-exposure of 20 for self-liquidators under $10. For offers at $10 or more, the average was 17 responses.

Users of self-liquidators are still keeping a majority of their offers under that $10 point. Although the average of all prices reported was $13.34, the median was $9.

There has been a sharp upturn in the prices of self-liquidators, as compared with a year ago—when the median was only $5.50. The shift is seen most clearly in the movement at both ends of the price scale. The number of offers at $1 or less has dropped to half the 1981 level, and promotions featuring items at $20 or more have doubled. The range of pricing in the latest surveys is 50-cents to $180.

The most common range, this year as last, remains $5-to-$9.99. But the shift to higher pricing is

Biggest trend in mail-in self-liquidators is continuing escalation of prices to the consumer. 42% of survey group ran offers priced at $10 or more last year, and median price hit $9.

REGULAR
LOG CABIN
FREE
Hefty
Lawn and Leaf Bags
10
Hefty
Swiss Miss
Offer

"Do premiums help sales? Yes, says this group. They look for a 14% boost from mail-in programs, and a 22% gain when the offer is made at the point of sale."

unmistakable among these executives. Here is how their pricing of self-liquidators compares with a similar group one year ago:

Price Range	*% of Offers '81*	*'82*
$1 or less	16%	8%
$1.01 to $4.99	27%	23%
$5 to $9.99	30%	27%
$10 to $19.99	17%	20%
$20 or more	10%	22%

In most cases—76 percent of users—these prices are true liquidating amounts, with postage & handling included. The other 24 percent, however, state "postage & handling" as a separate item above the quoted consumer price.

Only 51 percent indicated the consumer price covers the full cost. The other 49 percent said they subsidize the offers by an average of 36 percent of the total.

In their physical handling of mail-in premiums, almost half of these users—49 percent—say they process, mail, and fulfill the offers in-house. Professional fulfillment houses are employed by 28 percent, and 25 percent count on suppliers to handle mail and dropship. Another 18 percent process the incoming mail through the label stage, and then forward labels to a fulfillment house or supplier for shipment of merchandise. The total exceeds 100 percent because of multiple practices.

Mail-in offers—both self-liquidating and free—are frequently subject to testing by these users. In this survey 38 percent of the respondents who use them said they test their liquidators, and 30 percent test free premiums. It may seem an enigma that with the free offer, in which the financial risk is obviously greater, there is less testing than with the self-liquidating type.

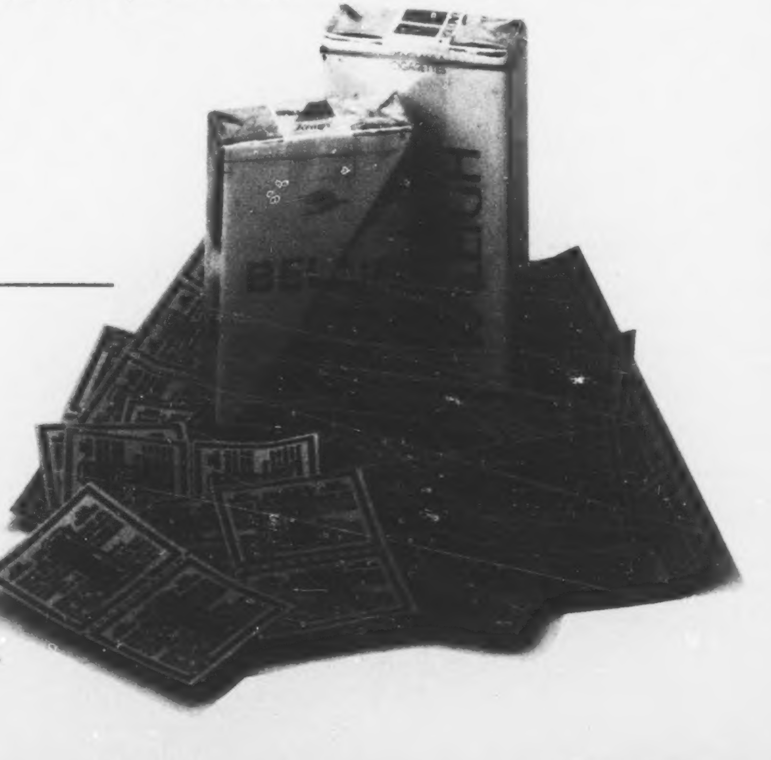
Personal interviews remain the favorite test of consumer appeal, preferred by 42 percent of those who test. All other methods are far behind among these users: mail questionnaire or ballot, 15 percent; mailing of a single-item offer, 12 percent; consumer panel, 7 percent; package inserts, newspaper split-run and store-panel tests, 6 percent each; bounce-back, 4 percent; and other methods, 2 percent.

Part of the deterrent to more testing has always been the lack of accuracy in test results. If a test is to have meaning, it must first—in most cases—show consumer acceptance of a given premium in relation to a control item or items with a track record. But, secondly, it should help the user gauge the quantity of merchandise needed to fulfill the offer.

When a degree of accuracy cannot be achieved, and with the constantly increasing cost of all test methods, there is a tendency to trust seat-of-the-pants evaluation more.

There seems to have been some slippage in accuracy, after a trend to improvement for a couple of years. Until our survey of 1980, the average accuracy rates ranged from plus or minus 25 to 30 percent. In 1980, users reported ±17

Coupon plans, paced by classics such as Raleigh/Belair and Betty Crocker, continue to hold a steady place in premium plans. Overall spending should be up about 11% this year.



Circle No. 116 on Buyer Action Card→

Direct premiums, offered immediately at the point of sale, are a mainstay for many companies. Recent programs from Dunkin' Donuts include Libbey Glass jars and Thermos coffee containers.

percent, and last year the comparable result was ±18 percent. In the present survey group, the variation has widened to ±20 percent, still better than was found a few years ago. The accuracy question concerned "forecasting the number of responses and promotion results."

A year ago, 75 percent of the surveyed readers told IM they were satisfied with the degree of accuracy their tests produced. There is a bit more discontent in the present group, with 66 percent saying they are satisfied with the results.

A major factor in most premium selection plans—excepting perhaps the self-liquidator—is the premium cost as a percentage of the retail purchases needed to qualify for it.

With free mail-in offers, the special-survey respondents in 1980 indicated they spent a median of 10 percent of the required purchases for the incentive item—if the consumer had to spend $2 for the product, there was 20 cents to go toward the premium. This figure dropped to 5 percent last year, but has climbed back to 9 percent among the respondents in the 1982 study.

The free mail-in has some advantage, as has the liquidator, in the lethargy factor which suggests that only a minority of people moved to purchase a product by the offer will actually bother to respond and obtain the premium.

No such advantage applies to the factory-pack, however. If the premium is attached to every product unit shipped during a given promotion period, the cost is 100 percent. Yet the surveyed executives say they are spending a median of 10 percent of purchase price for factory-pack premiums—on-packs, in-packs, and container premiums. The cost figure was the same two years ago, but dropped to 8 percent with the 1981 special-survey group.

Cost, however, may not be the most important question in consumer promotion this year. Perhaps, for many users, "Will it work?" is a more basic question.

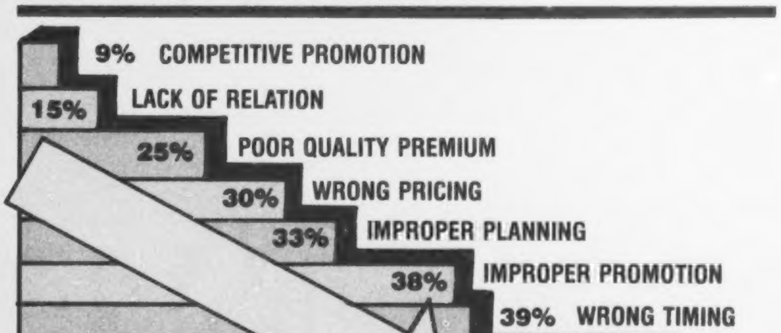
An economy in recession, inflation slowed but not beaten, rising unemployment—and, apparently, no early sign of a significant upturn—all of these elements put a heavy burden on any marketing effort.

Incentives of all types have the potential to combat such negative economic factors—to a degree. The question for 1982 remains, can consumer incentives provide enough power to get the job done?

IM's forecast figures have shown somewhat more marketers are applying the incentive stimulus at the trade levels—and, particularly, with the sales force.

Many smart marketers are moving at both distribution levels, for maximum effort to get their share of the business that will exist. The next few months may find them among the real winners. ■

WHY PROMOTIONS FAIL



Where in the World?

Almost everywhere! But old favorites are still popular

Hawaii was the top destination for incentive travel groups choosing to stay inside US territory last year, while Mexico was the number one choice of those venturing beyond the border.

Those are the results, admittedly unscientific, of an informal survey **Incentive Marketing** has been running for the last few months, in an effort to determine the most-visited sites for incentive groups.

During the last half of 1981, **IM** tracked incentive trips mentioned in trade magazines serving various industries, or mentioned during interviews with buyers. In that period, a total of 251 incentive trips were recorded.

This was not, of course, the total number of incentive travel programs run or announced in the last half of 1981. But we think it does give a rough ordering of the destinations which incentive buyers are choosing.

Just over 60 percent of the trips recorded were to domestic sites, including Hawaii, Puerto Rico, and the US Virgin Islands. The other 40 percent went outside the country to various destinations.

It was not possible to establish the number of people involved in all trips, or how much money was spent. But an earlier **IM** survey, done in mid-1981, found about 58 percent of the money spent on incentive travel goes into programs using overseas sites, and the other 42 percent stays in the US. American business is expected to spend $1.2 billion on incentive travel this year, about an 11 percent increase over 1981.

The earlier **IM** survey found a domestic/overseas breakdown roughly comparable to this survey, with 53 percent of the users responding reporting trips to domestic sites, and the remainder going outside the country.

IM has been informally polling travel buyers on site preferences since 1972. That year, the top sites named by buyers were Mexico, Spain, the Bahamas, Hawaii, and Nevada. ■

Photo, Finnair

DOMESTIC TRIPS

- 34 Hawaii
  - 4 Maui
- 19 Nevada
  - 15 Las Vegas
  - 4 Reno
- 11 Florida
  - 2 Boca Raton
- 4 US Virgin Islands
- 4 Missouri
- 3 California
  - 2 San Francisco
  - 1 San Diego
- 3 Colorado
- 3 New York
- 2 Georgia
- 2 Louisiana
- 2 Wyoming
- 1 Arizona
- 1 Indianapolis 500
- 1 Pennsylvania
- 1 Texas
- 1 Virginia

FOREIGN TRIPS

- 21 Mexico
  - 14 Acapulco
  - 2 Cancun
  - 2 Puerto Vallarta
  - 1 Ixtapa
- 19 Bahamas
  - 4 Paradise Island
- 10 Switzerland
- 8 Brazil
- 8 Spain
- 6 Canada
  - 3 Vancouver
  - 1 British Columbia
  - 1 Montreal
- 6 France
- 6 Ireland
- 5 Great Britain
- 4 Germany
  - 3 Munich
- 3 Denmark
- 3 Yugoslavia
- 2 Bermuda
- 2 Dominican Republic
- 2 Italy
- 2 Jamaica
- 2 Japan
- 2 Hong Kong
- 2 Netherlands
- 2 Tahiti
- 1 Australia
- 1 Austria
- 1 Finland
- 1 Greece
- 1 Malaysia
- 1 Monaco
- 1 New Zealand

- 27 Cruises
  - 13 Caribbean
  - 2 Alaska
  - 2 Mississipi River
  - 1 Rhine River

- 10 Winner's Choice
  - 5 Anywhere USA
  - 2 Anywhere Europe

APR
1982

incentive marketing
INCORPORATING incentive travel

APRIL 1982

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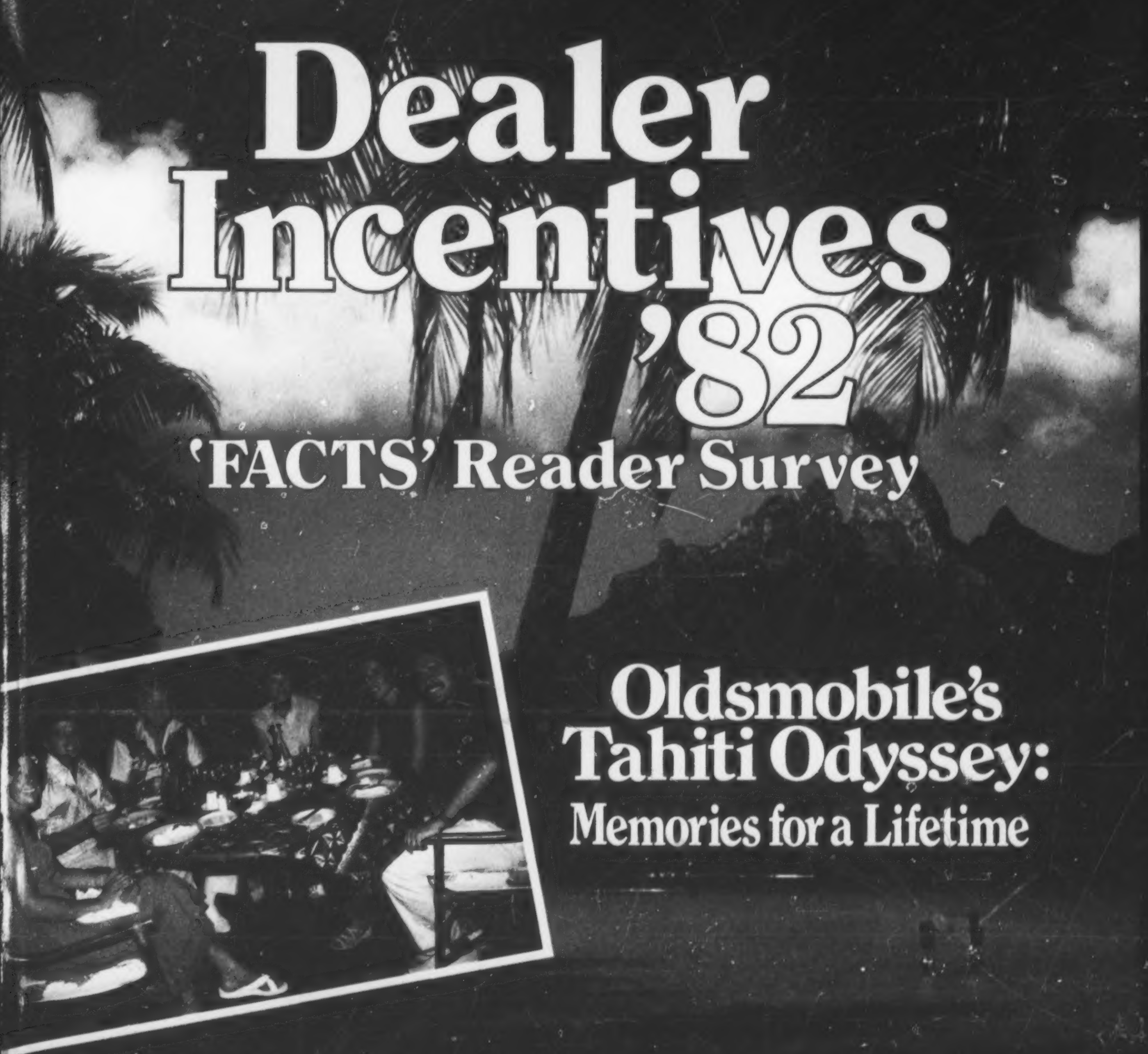
Dealer Incentives '82

'FACTS' Reader Survey

Oldsmobile's Tahiti Odyssey: Memories for a Lifetime



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78th Year
Volume 155
Number 4
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35 ***TAHITI: OLDSMOBILE'S ISLAND ODYSSEY***—For the 200-plus dealers and spouses attending, as well as for Oldsmobile, this week-long trip to paradise was highly profitable—and very enjoyable.

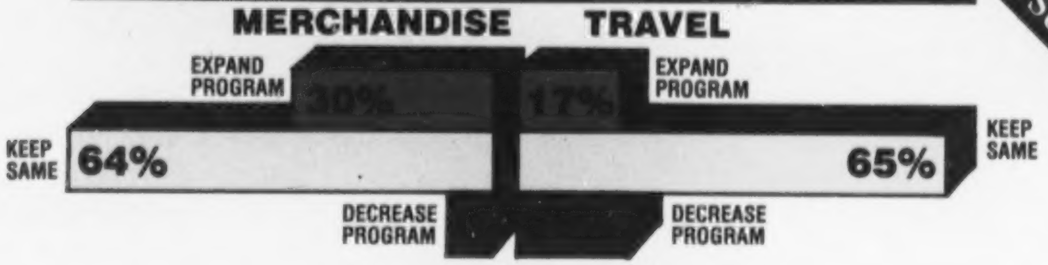
43 ***DEALER INCENTIVES '82: READER SURVEY***—Still a motivational priority, this facet of incentive promotion is beginning to feel the effects of recession, with spending expected to increase just 11.7% this year, to a record $1,998,069,000.

62 ***DEALER INCENTIVE PROFILES***—Three-time winners: Wheel Horse & Las Vegas; Quality trips an edge in chasing multi-line dealers; 'Home-made' catalog offers most flexibility: Herrmidifier; Scriptomatic switches to longer contest format; Early-buy prizes end factory peaks and valleys.

Bill publications and divisions: Incentive Marketing, Incentive Marketing Facts, Industrial Chemical News, Institutional Distribution, Jobber/Retailer, Modern Tire Dealer, Plastics Technology, Restaurant Business, Restaurant Design, Rubber World, Sales & Marketing Management, Successful Meetings, BillCom Books & Directories, Integrated Food Services, Market Statistics Inc., Sales Builders, SM Data Bank & Seminars.

'FACTS' READER SURVEY

TWO-YEAR OUTLOOK



Dealer Incentives '82

Motivating the middleman continues to be a high priority for many American businesses in 1982, but incentive promotion to dealers will also feel the effects of recession, a special **Incentive Marketing** "FACTS" survey indicates.

From the special survey of readers, done last fall, these trends emerge about the state of dealer incentive promotion in 1982:

- Total spending by American business should increase about 11.7 percent this year, bringing the field to a record $1,998,069,000. While impressive under current conditions, growth will fall far short of the 15 percent posted in 1981.
- Buyers are increasingly cautious about future expansion of their dealer incentive programs. About two-thirds plan to continue merchandise & travel promotion at last year's level—a good sign—but far fewer now plan increases than did a year ago.
- Growth among the major industry users of dealer incentives is slowing. The three largest users—Automotive Aftermarket, Farm Equipment, Autos & Trucks—posted minimum spending increases last year, and seem likely to continue that pattern in 1982. Electronics, Radio & TV seems to be the healthiest major industry user.
- Award costs are moving up slowly at best. Median cost for merchandise awards is still $50, for the fourth year in a row. Median cost for travel awards jumped. After stalling at $1000, it moves to $1200.
- Despite problems, users consider dealer incentives an effective promotion device. This special survey group reports sales increases running 17-20 percent during the last three years, at a cost of about 8.8 percent of affected sales.

Spending on dealer incentive promotion has posted a somewhat erratic record over the last few years. But marketers have shown signs of moving away from the old "dealer loader" mentality, and assigning dealer incentives a more sophisticated role in their plans.

The total field grew about 15 percent in 1981, bringing it to a record $1,788,805,000. Of this, 74 percent went into merchandise awards, and the remaining 26 percent was spent on dealer travel.

Taken from a long-term perspective, the growth rates for both types of promotion have been pretty equal. But the growth has seldom come in the same year for both sides. Thus, while spending on merchandise awards was up 15 percent in 1979, travel moved ahead just nine percent. The following year, a reverse—travel up 12 percent, merchandise up 10 percent. Last year, both moved ahead about 15 percent.

More encouraging is that in 1981, for the first time since 1977, dealer incentive users as a percentage of the total incentive universe increased.

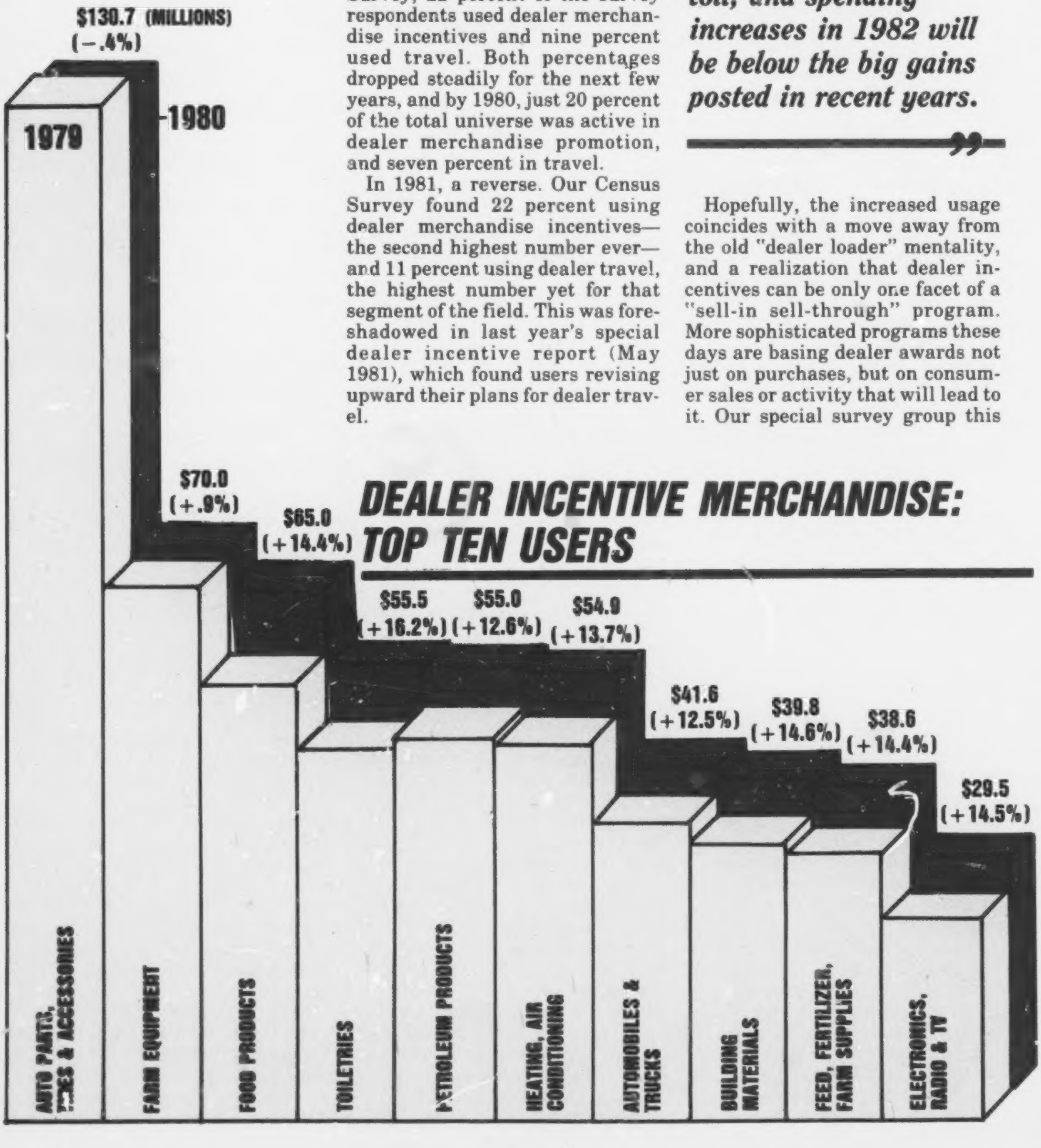
In the 1977 "FACTS" Census Survey, 22 percent of the survey respondents used dealer merchandise incentives and nine percent used travel. Both percentages dropped steadily for the next few years, and by 1980, just 20 percent of the total universe was active in dealer merchandise promotion, and seven percent in travel.

In 1981, a reverse. Our Census Survey found 22 percent using dealer merchandise incentives—the second highest number ever—and 11 percent using dealer travel, the highest number yet for that segment of the field. This was foreshadowed in last year's special dealer incentive report (May 1981), which found users revising upward their plans for dealer travel.

> ***"A special IM reader survey finds sales gains holding up, and dealer participation at good levels. But economic woes are taking their toll, and spending increases in 1982 will be below the big gains posted in recent years."***

Hopefully, the increased usage coincides with a move away from the old "dealer loader" mentality, and a realization that dealer incentives can be only one facet of a "sell-in sell-through" program. More sophisticated programs these days are basing dealer awards not just on purchases, but on consumer sales or activity that will lead to it. Our special survey group this

DEALER INCENTIVE MERCHANDISE: TOP TEN USERS



> ***"Buying patterns changed in this survey. More users are dealing directly with merchandise manufacturers, and fewer with jobbers, reps, or full-service incentive companies."***

year provides some statistical evidence indicating this approach is growing.

If you are a typical user of dealer incentives today, as represented by our survey sample, you will spend about $182,500 this year, most of it directed at wholesalers or commercial dealers, rather than retail stores.

You'll hope it brings you a 17 percent increase in sales during a campaign period, and you expect to spend 12 percent of the incremental sales for the program. You plan to keep your dealer incentive program at about the same level for the next two years. You're getting better participation by dealers than in the past, and it's costing you only slightly more in unit expenditures for awards.

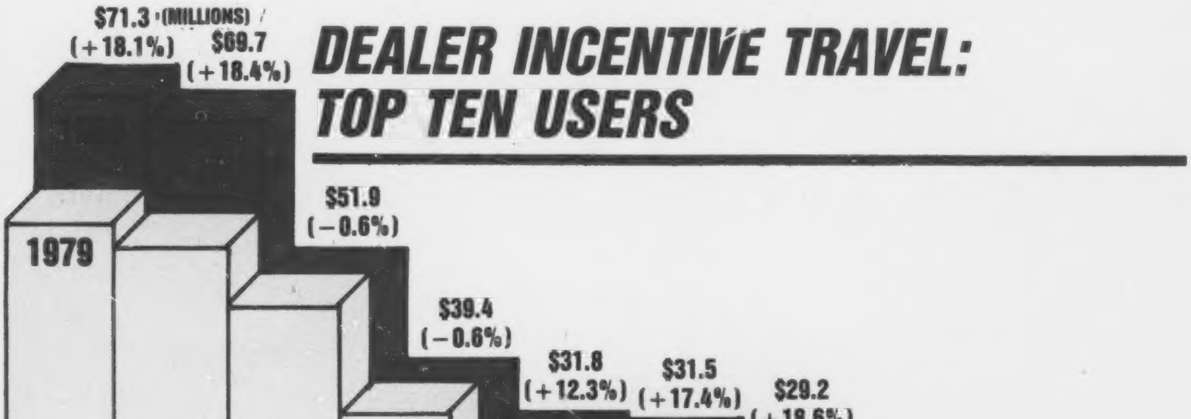
The $182,500 average expenditure planned by these surveyed companies is up from the $154,000 reported two years ago, and from the unusually low $99,630 in last year's special study. All figures are somewhat above the average of dealer incentive users covered in the more general FACTS Census surveys, since relatively larger users are intentionally selected for the special surveys, because of the greater experience they can bring to other elements of the special questionnaire.

Year-to-year comparisons with other special survey groups, and with the Census survey respondents, indicate this group is a pretty accurate microcosm of the dealer incentive universe. It continues some trends established in the past—and breaks some new ground, which may show up in later surveys.

In the type of incentive promotions used, for example. There are five major types of dealer incentive promotion, each with its own strengths and weaknesses.

Special deals or volume assortments are the most-used dealer incentive. In this technique, the dealer is offered a premium, or several premiums, for the purchase of a specified product assortment. This is the basic dealer incentive, quickly put together and promoted. But the percentage of users relying on this technique has dropped over the years, from a high of 80 percent a decade ago, to 73 percent last year, and 65 per-

DEALER INCENTIVE TRAVEL: TOP TEN USERS



> ***"Length of the average travel contest is dramatically shorter this year, reflecting the growing popularity of regional trips and individual travel awards for dealers."***

cent in this special group.

Display incentives for dealers are frequently tied to consumer premium offers, with the same item doing both jobs for the promotion sponsor. This technique evolved as a means of securing store displays. Its popularity appears to have suffered in recent years, perhaps as more marketers seek to do an end-run on the retailer and promote directly to the consumer. Last year, 24 percent of the survey group used display incentives. This year, the lowest level in recent surveys—13 percent.

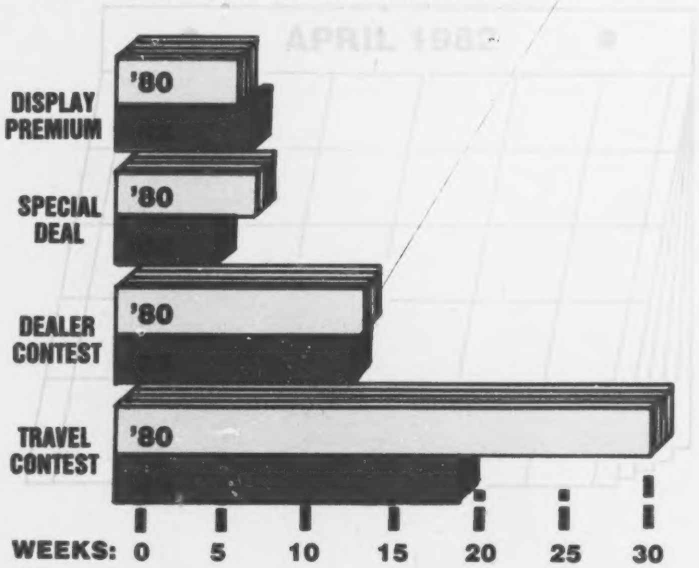
Contests & sweepstakes for dealers are a perennial favorite with about one-third of every survey group, and this year is no exception.

Coupon plans for dealers are another area showing long-term decline, with just eight percent of this survey group reporting usage. A decade ago, 19 percent of users went this route. The decline might be attributed to two factors. First, marketers may be opting for short-term promotions that offer more flexibility. Second, the growing popularity of the travel incentive. If a dealer is going to save box tops, flaps, or whatever over a long period of time, it's relatively easy to switch to a travel incentive program.

Travel incentives have become more widely used as dealer incentives, with 38 percent of this special survey group reporting usage.

Who are the targets for all this dealer promotion? The 143 companies responding to this year's special survey offer a mixture similar to past groups.

HOW LONG IS A PROMOTION?



Wholesalers & distributors are always first choice, favored by 47 percent of this year's survey group. Commercial & industrial dealers are promotion targets for 25 percent; service contractors for 11 percent.

Clearly also-rans are consumer-oriented retail outlets. Just 10 percent promote via incentives to variety & department stores, and eight percent go to retail stores & drug stores. Only five percent promote to service stations.

What they are trying to promote is, of course, increased sales. But when we ask survey respondents about more specific goals, some modest trends emerge this year.

Survey respondents are offered a checklist of nine promotion objectives. Most responses this year are within a few percentage points of previous surveys, but there are two exceptions: the goals of building dealer traffic and obtaining store displays. Two years ago, both goals scored in the 23 percent range.

This year, far fewer executives gave priority to the two store-action goals, with 15 percent using incentives to "build dealer traffic," and 13 percent to obtain store displays.

All other promotion goals are within a few points of past surveys. Increasing total volume continues as the top goal, checked by 66 percent. Other major goals: introducing new products (42 percent), moving a full line or slow item (31 percent), offsetting competition (25 percent), bolstering a slow season (23 percent).

To reach these goals, users conduct a median of three merchandise promotions per year—a figure which has stayed constant for several years—and one travel promotion. Those with combination merchandise & travel programs plan a median of three per year, although two is the most common number.

September is the favorite month for launching a trade incentive, these users say, with 29 percent opening then. January is second at 26 percent, and April is favored by 20 percent. March is the starting month for 17 percent, while 15 percent each like February, June, July, October. Bringing up the rear: August (14 percent), May and December (11 percent), and November (eight percent).

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Circle No. 126 on Buyer Action Card

Then there's the matter of what products to promote with incentives. The favorite, this year and for the past few surveys, is the selected group of products, which gets incentive attention from 45 percent. Just over one-third—35 percent—of survey respondents put an incentive push on their entire product line, and 20 percent use incentives to move a single product. That figure has dropped steadily in the last two IM special surveys.

The timing of merchandise promotions has not changed greatly in the past two years, but users of dealer travel are showing distinctly shorter terms for both planning and the selling period.

Planning of merchandise promotions now takes an average of 12 weeks, this survey group says—a week less than was reported two years ago.

Duration of special deal promotions averages eight weeks; display premiums, six weeks; contests & sweepstakes, 14 weeks—all figures just slightly below the 1980 reports.

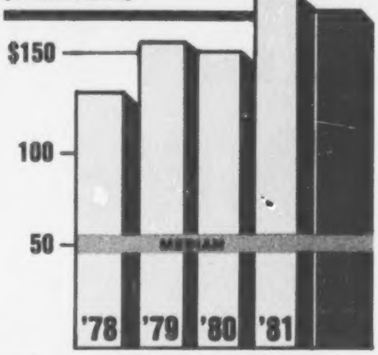
On the travel side, however, planning time has dropped from 26 weeks to 20 weeks, the lowest figure in a decade. And the qualification selling period is down from 33 weeks to a present 22 weeks, a level not seen since 1974.

This reflects, the survey finds, a considerably larger number of short-term travel programs—four or six weeks in some cases—and a corresponding drop in year-long campaigns.

It is clear that more short-range and regional travel programs are being planned, and that individual travel awards for dealers are growing in popularity. Only 18 percent of this survey now favors group travel, while 31 percent go for individual travel awards which, of course, can take less time in both the planning and sales qualification areas. This has been a perceptible trend for several years, but the present finding is the most dramatic shift in travel timing yet noted.

The swing toward individual travel awards, which in most cases do not include transportation for the winners, would help explain the generally lethargic pace at which spending on awards has moved ahead for the last few years. This year, however, there are signs that buyers are loosening the purse strings a bit.

MERCHANDISE AWARDS (UNIT COST)



The "single premium or small group of related items" is the most popular dealer incentive, used by 59% of this group. One-third use a stock catalog, and 15% develop their own incentive catalog.

This special survey group reports spending $1115 per travel award in 1981, and estimates 1982 costs at $1370 per winner—the highest figure recorded by any IM survey ever. More encouraging, the median cost rose for the first time in several years, hitting $1200.

Given the large number of users opting for individual travel awards, it seems likely these figures are somewhat distorted by a few heavy users of travel to distant places. But it does seem to indicate a direction for the field.

On merchandise awards, the trends are less clear-cut. This special survey group reports a healthy increase in award costs from 1981 to 1982—but their dollar figures for 1981 are well below the numbers reported in the

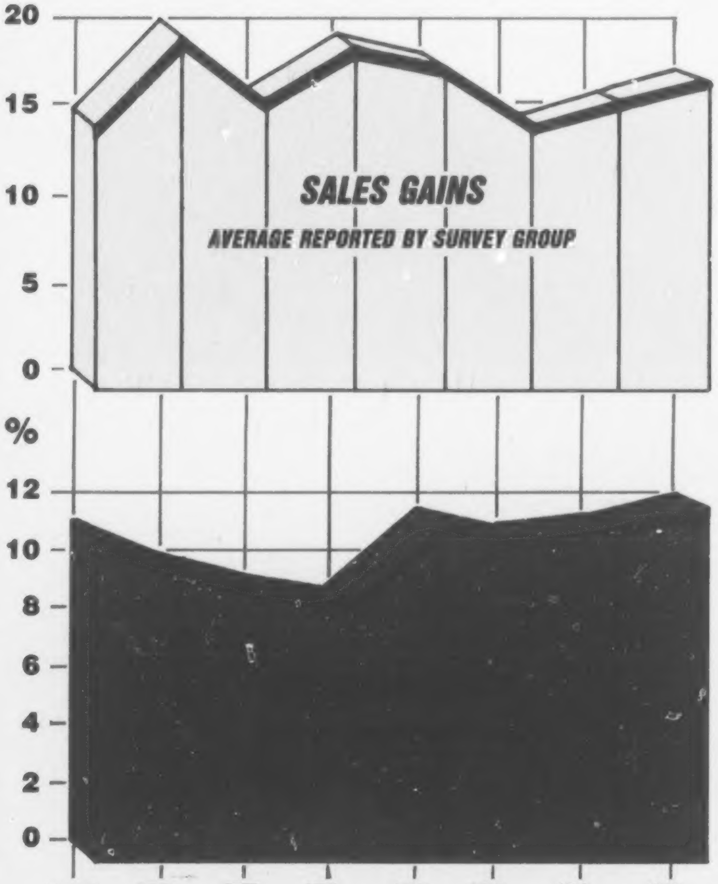
"A special IM reader survey finds sales gains holding up, and dealer participation at good levels. But economic woes are taking their toll, and spending increases in 1982 will be below the big gains posted in recent years."

broader Census survey.

The median award cost for this group, in both years, was $50. Every survey on dealer incentives in the last three years has put the median at $50, indicating this is a real barrier for many users—not unlike the $1000 barrier for travel programs.

The average cost for these users went up slightly. They report spending $130 per award in 1981, and estimate 1982 award cost at $165. By contrast, the Census group puts award cost at $183 last year.

Taking a closer look at merchandise awards, some trends emerge as to the type of awards favored, and the sources used for obtaining them.



Users were given a choice of three types of merchandise awards: a single premium or small group of related premiums, an incentive company catalog, a specially prepared catalog or selection.

The largest group—59 percent of this survey—offer a single premium or small group of related items. Next choice is the stock catalog from an incentive company, used by one-third of this group. And 15 percent report developing a custom catalog specifically for their promotions.

Along with the two travel options (31 percent of the buyers using individual travel awards, 18 percent offer group travel), the total of award choices well exceeds 100 percent. It works out to about one and one-half different courses per company.

A follow-up question sought to determine what sort of merchandise users opt for when they do run a program using a single premium or a small group of items. The largest number—42 percent—go with personal items, followed closely by home & family items at 40 percent. Business-related premiums are favored by 18 percent of this group.

These figures represent some change from the 1980 survey, but that may be due to a rewording of the question. In 1980, just eight percent of the group reported offering "store use" items. A change to "business items" brought that up to 18 percent. Much of that came out of home & family items, favored by 56 percent two years ago, and just 40 percent this time.

This year, for the first time, we asked users about their sources for buying merchandise and travel incentives as two separate questions. Previously, the two award categories were combined in the "how do you buy" question.

The results of this switch were dramatic—a big increase in the number of users saying they deal directly with manufacturers for merchandise awards, and a drop in the number dealing with full-service incentive companies.

Forty-four percent of this survey group reports dealing directly with a merchandise manufacturer, displacing both premium wholesalers

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> *"Growth among the major industry users is slowing. The three largest—Auto Aftermarket, Farm Equipment, Autos & Trucks—posted minimum spending increases last year, and seem likely to continue that pattern in 1982."*

& jobbers (33 percent) and premium reps (26 percent), who were the top choices two years ago.

Under the previous survey form, users had to check a category headed "merchandise manufacturer/travel carrier," which perhaps they felt was misleading.

The full-service incentive company, favored by 24 percent of users when merchandise and travel were combined, fell off this year, when buyers were able to separate the two. Only 20 percent picked it for merchandise awards, and 11 percent for travel programs.

First choice for travel programs continues to be the "do it ourselves" category, picked by 18 percent two years ago, and by 20 percent this year. Travel wholesalers are favored by 13 percent, and eight percent ask air carriers, cruise lines, or hotels to handle all of the program arrangements.

After goals have been set, a timetable established, and awards selected, comes what many experts consider the most crucial element in the incentive concept: promoting the program to the dealer audience.

Enthusiastic advocates have been known to suggest cutting back on award costs and putting the extra dollars into extra promotion to create dramatic trade impact and notice. That's evidently what this year's survey group has been doing. They spend, on average, 8.8 percent of affected sales on the incentive program, against 8.2 percent for the 1980 survey group.

While that's not a significant jump, the split between award costs and promotion costs changed noticeably. This year's group spends 3.7 percent of incremental sales for promotion materials, mailings, ads and related costs, where only 2.4 percent was allocated for this two years ago.

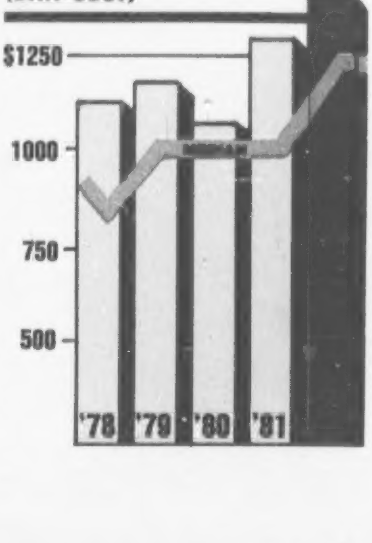
All that extra promotion came out of the award side, which went from 5.8 percent of incremental sales in 1980 to 5.1 percent for this survey group.

These costs now come to a median of 12 percent of incremental sales—the extra volume achieved during the promotion. The figure was the same for merchandise and travel promotions.

These figures show a slight, but perceptible, creep upward. In the 1980 survey, median cost for both merchandise and travel was 10 percent of incremental sales. Last year, it moved up to 12 percent for merchandise, 11 percent for travel. This year, it reached 12 percent in both areas.

But there is no indication that this creeping up of costs is dampening the enthusiasm of most users of dealer incentives. The reason appears to lie in a steady increase in their sales results during the past three years. If more buys more—and their figures indicate it

TRAVEL AWARDS
(UNIT COST)



does—then the increased costs can be justified.

We asked these users for their goals and actual sales gains in the period from 1979 to 1981. The average objective is 18.9 percent, with a median goal of a 17 percent sales gain. This compares favorably with the 16.7 percent actual sales gain reported by executives answering the 1981 Census survey.

But these users' reports of their actual sales gains in those three years show an even healthier picture. From a 16.4 percent average gain in 1979, these users progressed to 21.7 percent in 1980 and 22.5 percent last year.

The averages are significant in showing the overall trend. But, in looking for comparability, the user executive may find more value and comfort in the median results achieved by these 143 companies. The medians for the three years are respectively, 15 percent, 18 percent, and 19 percent. Against a median goal of 17 percent, these users are obviously doing quite well.

In another measure of effectiveness—dealer acceptance of offers—they are also doing extremely well in relation to the findings of the past three years.

Participation in dealer promotions has been on a steady decline in our survey reports since 1979. In 1978, users reported 49 percent of dealers accepted their merchandise offers, and 33 percent qualified for travel awards.

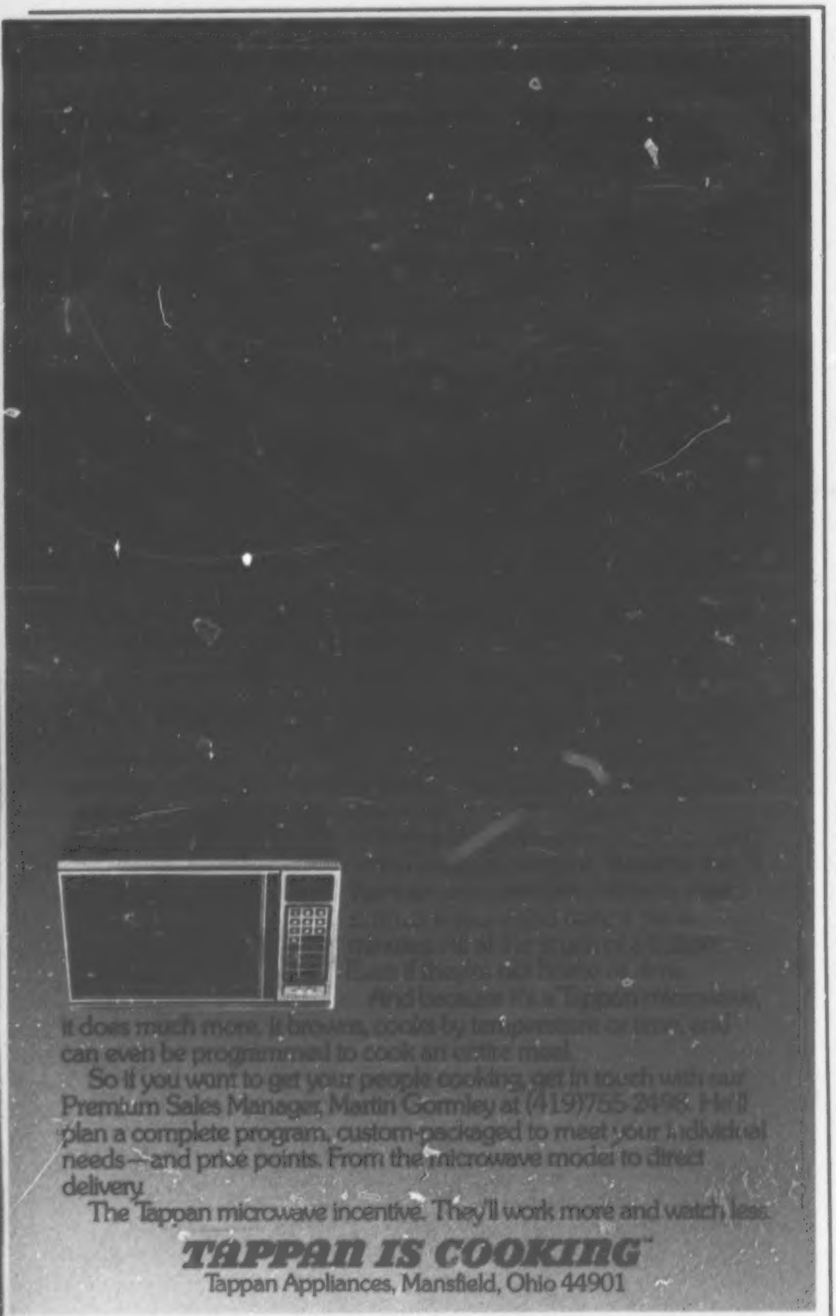
By 1981, acceptance had dropped to 35 percent for merchandise and only 22 percent for travel. Now, however, this group tells us merchandise acceptance has jumped back near the 1978 level, to 48 percent. And for travel the takers have gone well above previous levels, with 39 percent average qualification.

In neither measure of success—sales gains or dealer participation—do we have any reading yet on 1982. The facts of 1982 economic life may yet erode some of the strengths of dealer incentives, but the indication right now is that users are entering this period against a background of upward movement, and an apparent bullish, though cautious, attitude toward what dealer motivation can do for them.

Major expansion in dealer promotion cannot be expected in a time when some of its foremost exponents are in decline, of course.

The largest industry using dealer incentives—Auto Parts, Tires & Accessories—stood still in its usage in 1980, although it did show growth in sales force incentives and consumer promotion. It apparently remained below the average growth level last year—but for 1982 is predicting an upturn in activity.

The second largest user, however, is forecasting a weak 1982. Farm Equipment, in a depressed market, can work hard at promotion and still contract in dollar terms. The same is true for the third largest spender, Autos & Trucks, a sick field that kept up a good fight in 1980, but is bound to retract this year.



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> *$50 is evidently a real barrier for many users of merchandise awards. It's been the median cost for every group surveyed since 1979.*

Electronics, Radio & TV is first on the list to show any real growth potential for 1982.

Recession naturally breeds decline in almost any type of activity. That incentives may help some companies hold their own better than others will not necessarily add to total expenditures. If the business downtrend is pervasive, even the strongest promoter will wind up spending less than in better times.

We're starting to see some signs of that with this special survey group. Plans for future dealer incentive activity among these companies—surveyed in late 1981—are more conservative than among the group surveyed earlier in the year.

In the early survey, done in the first quarter of 1981, 40 percent said they planned to increase spending on both travel and merchandise incentives for dealers this year. The special survey group takes a more cautious approach, with 30 percent saying they will expand merchandise activity, and only 17 percent planning increased travel promotion.

The most anticipated course of action is program maintenance. Almost two-thirds of this group expect to continue their dealer promotion at the same level.

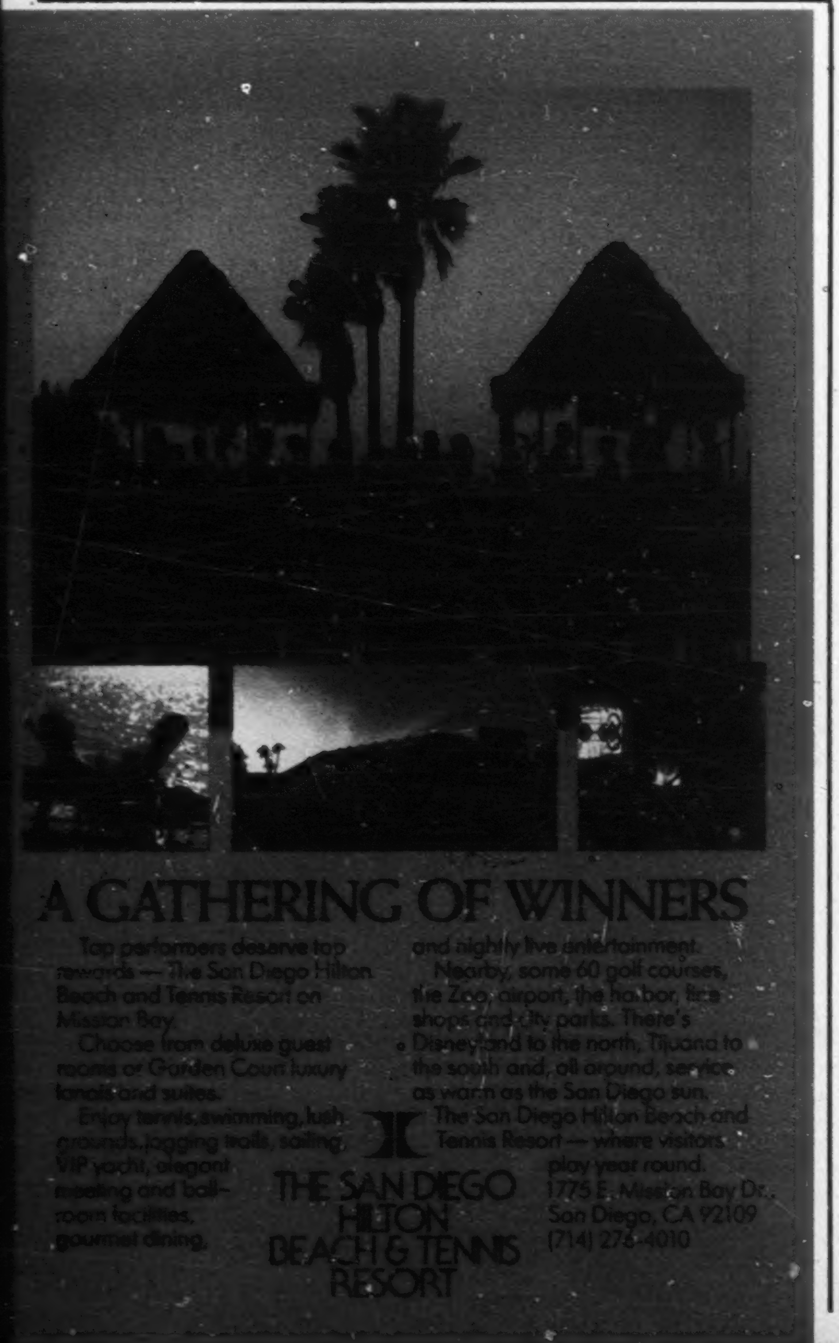
And while fewer of these users are planning big increases, fewer also report planning big cutbacks. Just six percent plan cutbacks in merchandise promotion, while 18 percent plan travel cutbacks. In the broader Census survey, 28 percent indicated they would cut back this year.

This may, of course, reflect the special makeup of the survey group, which is heavier into dealer incentives than the other group, who move in and out of the field as conditions warrant.

For the vast majority, it is clear that their confidence in the efficacy of dealer incentive promotion has not weakened. But they are being more cautious in budgeting, trying to do the same or a better job without spending much more money.

Their projections, made in fall 1981, do not fully take into account the present recession, and thus the sheer arithmetic effect of sagging markets may be expected to reduce expenditures in many cases when the final 1981/82 figures are in.

But, as this latest survey group has told us, dealer incentives still have an important job to do—and seem to be doing it as effectively as the economic climate will permit. Level of spending, in dollar terms, may not set any records. But cost-effectiveness of a strong marketing weapon could. ■



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incentive marketing

INCORPORATING incentive travel

JUNE 1982

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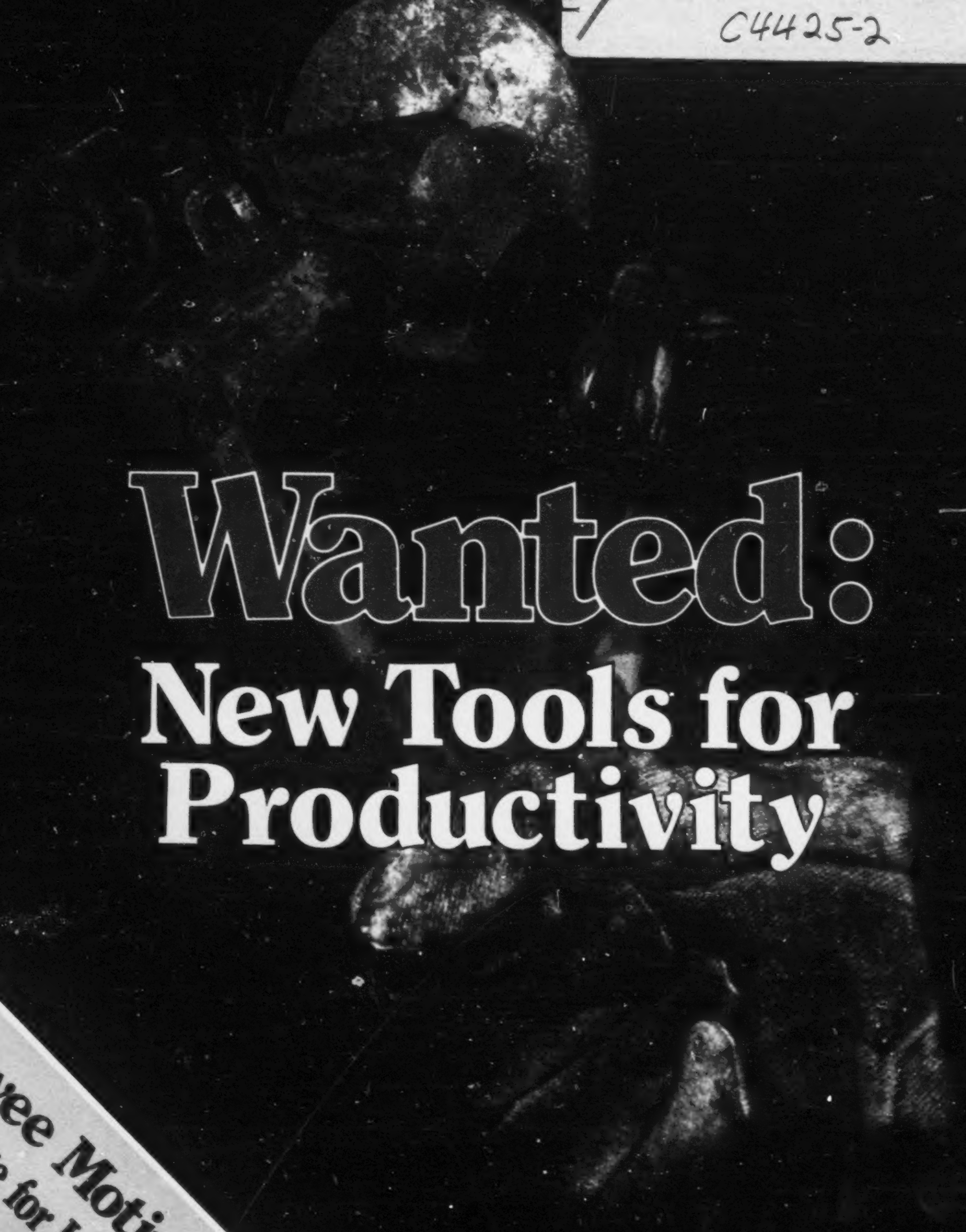

Wanted: New Tools for Productivity

Employee Motivation:
Challenge for Incentives

A BILL PUBLICATION

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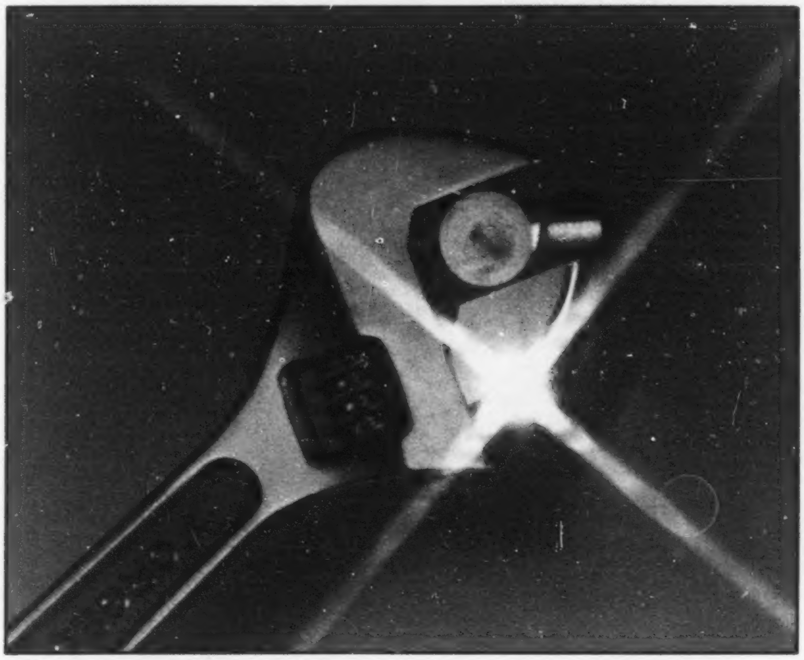

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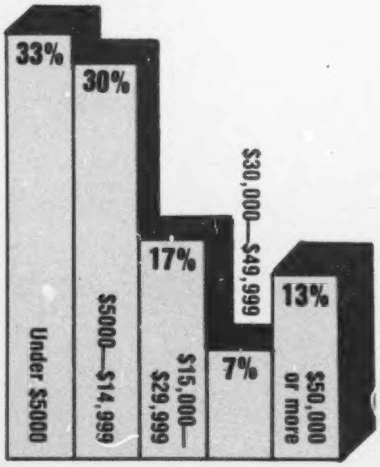
First look at who's and how's of employee motivation

This year, for the first time, **Incentive Marketing** has begun surveying readers on the size and scope of their employee motivation programs using merchandise, travel, and recognition awards. Findings will be published in our December 1982 FACTS issue, but a preliminary report gives some insights into what companies are doing in this area.

In early 1982, we mailed a survey to a random sample of 1000 readers who have indicated usage in the general category of "Employee Incentives, Service & Recognition Awards, Business Gifts." One hundred and fifty-six survey forms were returned, and their findings are reported here.

It's clear companies spend a wide range of money on these programs. In 1982, for example, expenditures reported ranged from $100 to $280,000. The majority were clustered in the under-$10,000 area, but a handful of heavy users helped push the 1982 average to $29,370 per company reporting.

Here is how the spending broke down:



This money buys awards for a variety of employee achievements, but a traditional favorite—Longevity of Employment—was the most popular choice. Thirty-three percent of our survey group reports they give merchandise, travel, or recognition awards here.

Second choice is productivity programs, checked by 22 percent of our group, while on-the-job safety is rewarded by 12 percent of our survey group. Other categories got less than 10 percent: cost-control, training, absenteeism, employee turnover, suggestions, quality control.

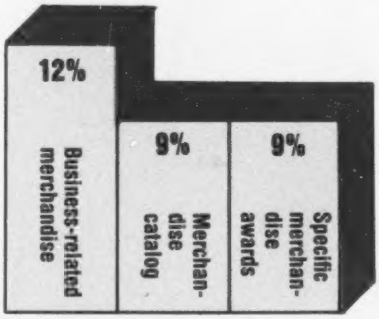
Some 30 percent of our survey group reports that all employees are eligible for awards. Second choices as program participants include "Clerical, Office & Support Staffs," and "Middle Management," both picked by 17 percent, "Plant Supervisors & Foreman," 11 percent, and "Service Technicians," 7 percent.

Individual achievement is the most popular method of winning an award, with 62 percent of our survey group picking that as the basis. This undoubtedly reflects the substantial number of longevity-of-employment programs—the one area where team awards are not practical. Another 26 percent of our group rewards both individual and team effort, and 12 percent reward only group achievements. In most productivity and safety programs, experts stress the importance of having both individual and team awards.

With our survey group's emphasis on longevity programs, it should come as no surprise to find the type of awards they like. Two categories dominated the voting: "Plaques, Trophies, and Certificates," used by 20 percent of the group, and "Jewelry, Rings, Pendants, Etc.," used by 19 percent.

A close runner-up was "Dinners & Special Entertainment Functions," used by 17 percent of our group. Travel awards scored surprisingly high—13 percent. This undoubtedly comes from people offering a small number of trips to very top level achievers—Employee-of-the-Year type awards—rather than any broad-based movement towards massive travel programs in this area.

Traditional premium merchandise was represented by three categories. Taken together, they make a respectable showing:

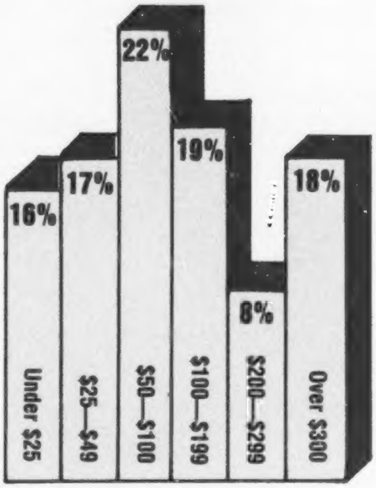


Other awards mentioned include company stock, trips to the annual convention, and retail gift certificates.

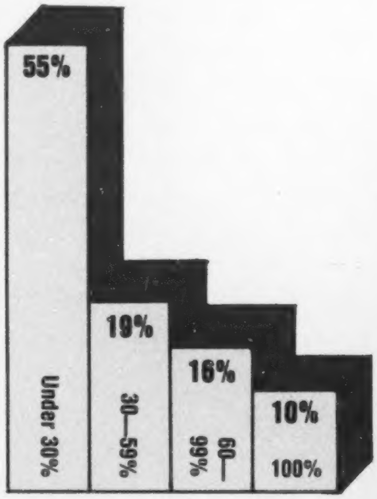
It would seem that the potential for suppliers of premium merchandise is great. As one consultant points out, employees in these programs are usually middle-income workers, often still in the product acquisition stage, and likely to respond to merchandise awards, catalogs, and prize-point plans.

Program managers interviewed mentioned price points of $5, $10, and $20. At these levels, an on-site manager can hand out prize certificates with relatively little paperwork, and can create immediate impact with the recipient. Our survey bears out their feelings.

When we asked the average cost of a program award, here is how this survey group responded:



How many employees actually take home an award? We asked the survey group what percentage earn something in a typical program, and found the two biggest groups in the under 10 percent category, and in the 10 to 20 percent category. Here is the breakdown:



When it comes to evaluating the employee motivation program, "Management Judgement" was the clear favorite with this group, used by 44 percent. The more sophisticated goal of "Set Quantifiable Goals" ran a strong second, with 24 percent of our group reporting. Increased sales and/or profits are used by 20 percent as a yardstick.

"Management Judgement" is also the number one method of determining how much to spend on awards, with 55 percent saying that. "Percentage of Savings Generated" and "Standard Award Value" are used by 21 percent each.

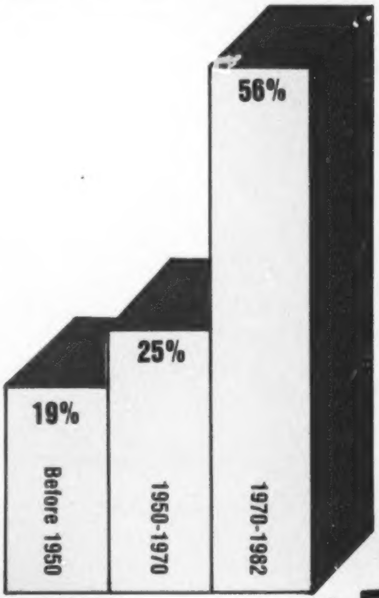
Two key elements in the success of a program are how awards are presented, and how the program is promoted to the participants. Survey respondents keep a high profile in these areas. Some 65 percent present awards at office functions, and another 36 percent use ceremonies with family and guests present. Just 10 percent mail the awards home with no fanfare.

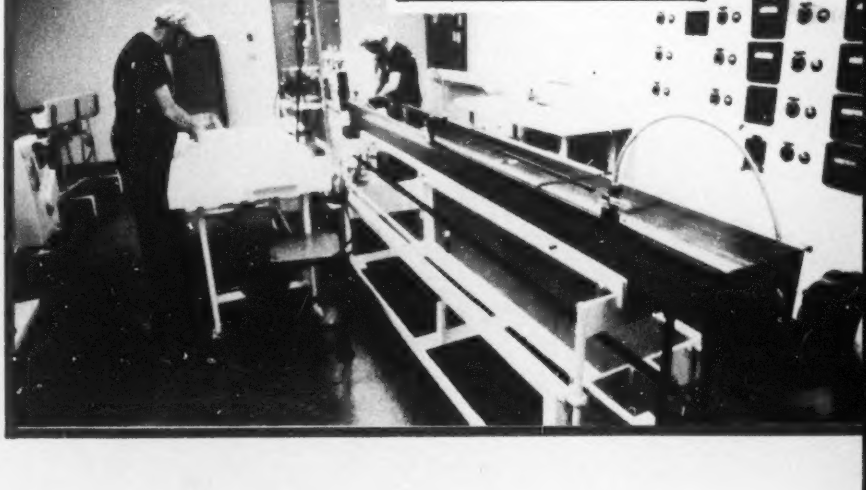
A variety of methods are used to promote the program, with the employee meeting the most-used, picked by 30 percent. Another 19 percent use bulletin boards, and 17 percent use the company newspaper. Other methods include: mailings home, 14 percent, word-of-mouth, 13 percent. Six percent report no formal promotion.

Somebody has to set up this program, handle the paperwork, pick the awards, and tend to the mundane details. By and large, it's done in-house, 48 percent, and is divided into two camps: the sales & marketing department, 27 percent, and the personnel or human resources office, 27 percent. Many respondents indicated multiple responsibilities and involvement.

In a final question, we asked what year they had begun their employee motivation program. Answers ranged from 1901 to this year, but the overall trend was unmistakable.

From these preliminary surveys, it seems clear that business is stepping up the pace of employee motivation. More companies are adding programs, or expanding long-dormant ones. More and more American workers would seem to have incentives in their future. ■





JULY 1982

Incentive Marketing

INCORPORATING INCENTIVE TRAVEL

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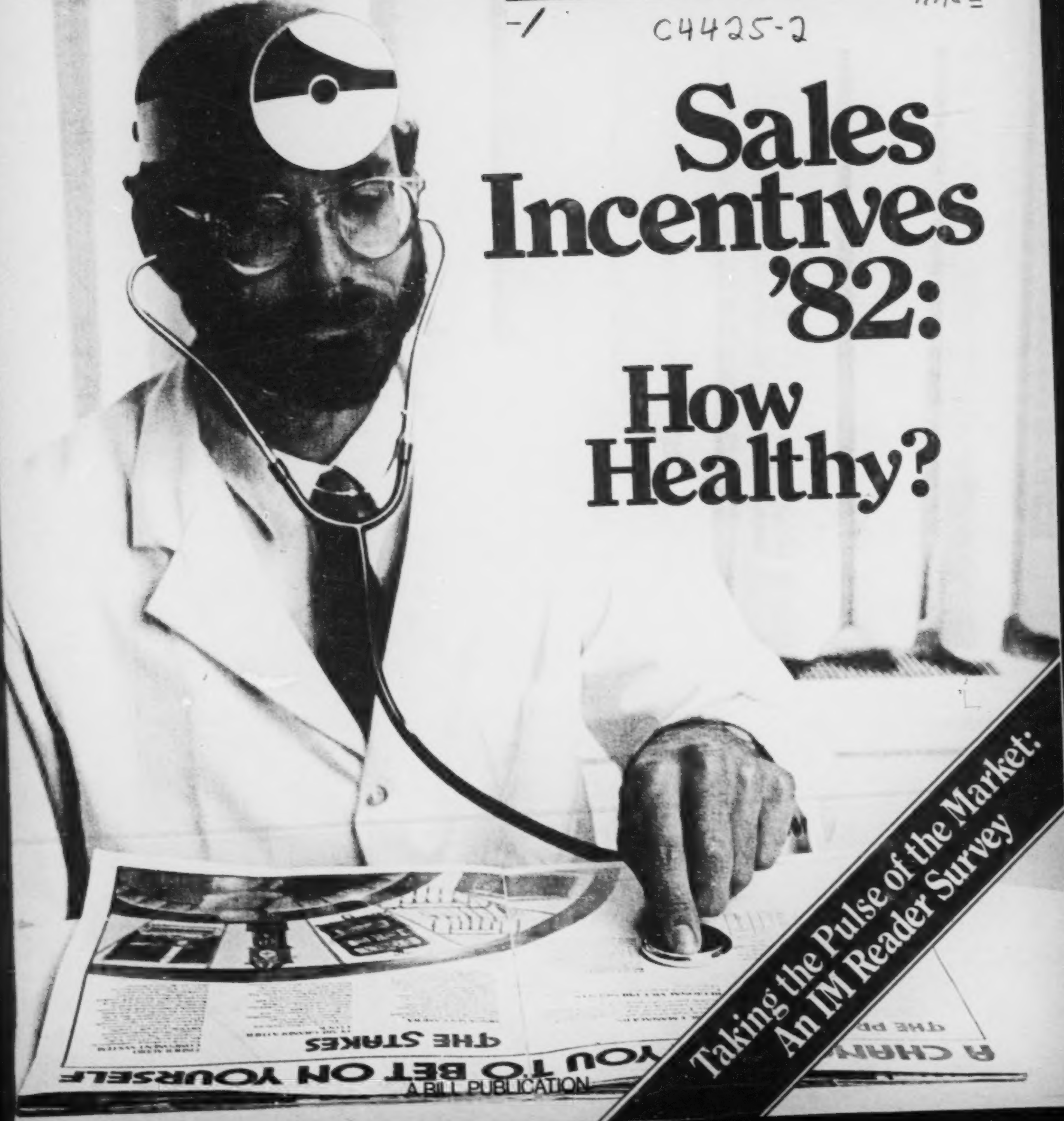

Sales Incentives '82: How Healthy?

Taking the Pulse of the Market: An IM Reader Survey

A BILL PUBLICATION

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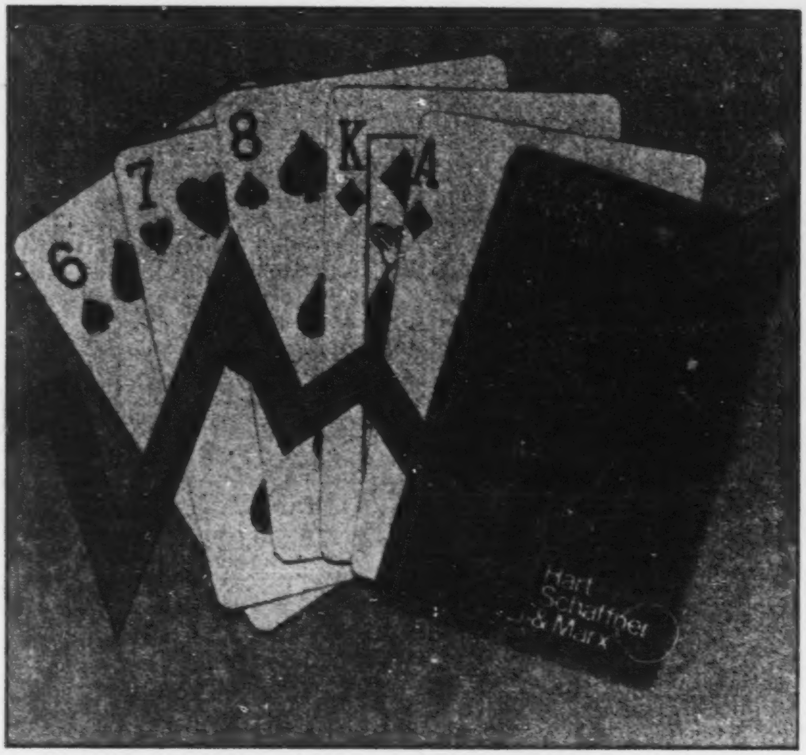

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IM READER SURVEY:
THE PULSE OF THE MARKET

Sales Incentives '82:

Growth Slowing, but Vital Signs OK

Making salespeople run is still the biggest job incentives have to do, and it is a historical fact that their use has usually accelerated ahead of other incentive techniques in a time of recession.

That may still be true this year—but the pace has definitely slowed. Against a forecast of 13.4 percent expansion in sales incentives for 1982, the reports of a special IM survey add up to only 7.5 percent over their expenditures last year.

Costs of these companies' incentive programs have increased, sales-effectiveness has remained steady, but participation has increased since our last reports.

IM sent a special questionnaire to 449 executives who had reported sales-force incentive usage in their responses to the 1981 Census Survey, for an update on their current practices and results. About 51 percent—229—replied, and 217 of the reports were complete and received in time for tabulation. Of these, 194 had reported dollar usage figures for both 1981 and 1982.

They spent about $13,368,240 last year for sales-force motivation programs, and estimated they would spend $14,368,206 in 1982—an average per company this year of $74,063. This is just slightly lower activity than reported in a similar study a year ago, when the respondents said they were spending an average of $75,721.

With the national economy in a prolonged decline, it may be that a 7.5 percent dollar growth in incentive programs represents an outstanding vitality—one that is doing its darnedest to keep companies in the black against all the odds.

In any event, sales force incentive campaigns are still paying—though the costs are a little higher—and the count of salesmen and saleswomen earning awards has actually risen this year.

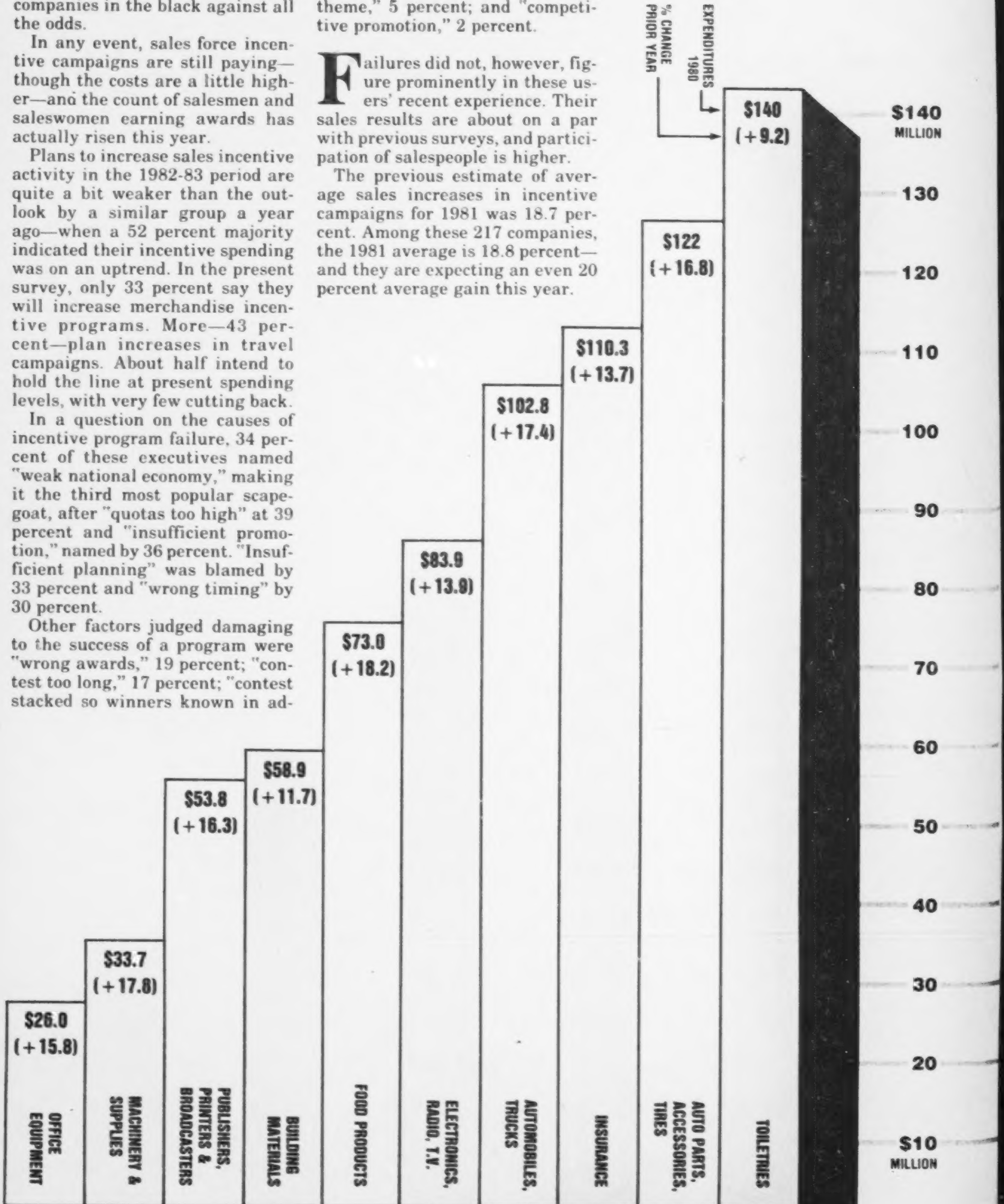
Plans to increase sales incentive activity in the 1982-83 period are quite a bit weaker than the outlook by a similar group a year ago—when a 52 percent majority indicated their incentive spending was on an uptrend. In the present survey, only 33 percent say they will increase merchandise incentive programs. More—43 percent—plan increases in travel campaigns. About half intend to hold the line at present spending levels, with very few cutting back.

In a question on the causes of incentive program failure, 34 percent of these executives named "weak national economy," making it the third most popular scapegoat, after "quotas too high" at 39 percent and "insufficient promotion," named by 36 percent. "Insufficient planning" was blamed by 33 percent and "wrong timing" by 30 percent.

Other factors judged damaging to the success of a program were "wrong awards," 19 percent; "contest too long," 17 percent; "contest stacked so winners known in advance," 12 percent; "wrong theme," 5 percent; and "competitive promotion," 2 percent.

Failures did not, however, figure prominently in these users' recent experience. Their sales results are about on a par with previous surveys, and participation of salespeople is higher.

The previous estimate of average sales increases in incentive campaigns for 1981 was 18.7 percent. Among these 217 companies, the 1981 average is 18.8 percent—and they are expecting an even 20 percent average gain this year.



MERCHANDISE

Participation last year was reported averaging 35 percent, but the survey group reports 43 percent for 1981 and anticipates 39 percent qualifying this year—47 percent for merchandise programs, 32 percent for travel.

The users have had to pay a higher price for their results, however, as a percentage of sales during the campaign period. They report an average of 5.0 percent of total affected sales for the purchase of award merchandise or travel, and another 3.2 percent for promotional costs—a total of 8.2 percent. This compares with a similar survey's finding a year ago of 4.7 percent and 1.8 percent, or a total of 6.5 percent.

When measured against the incremental sales gained through the incentive program, this year the users report an average of 15 percent, vs. 14 percent last year.

> ***"With the national economy in a prolonged decline, it may be that a 7.5% dollar growth represents outstanding vitality—one that is doing its darnedest to keep companies in the black, against all odds."***

Although these executives reported a greater increase in the cost of promotional materials and mailings than of merchandise or travel, their reports show a considerable rise in the unit cost of both types of award, as compared with earlier surveys. The median unit cost of merchandise is up to $117, from $100; and the travel median increased from $1000 to $1200.

With only about a 6 percent increase in the share of sales spent for merchandise or travel (from 4.7 percent to 5 percent) and a 17 percent to 20 percent rise in the unit cost, it appears that many of these companies have restructured their programs to use fewer awards. This may be borne out by the fact that their average qualification rate—although higher than some previous survey groups—is expected to drop from 43 percent last year to 39 percent of the sales force in 1982.

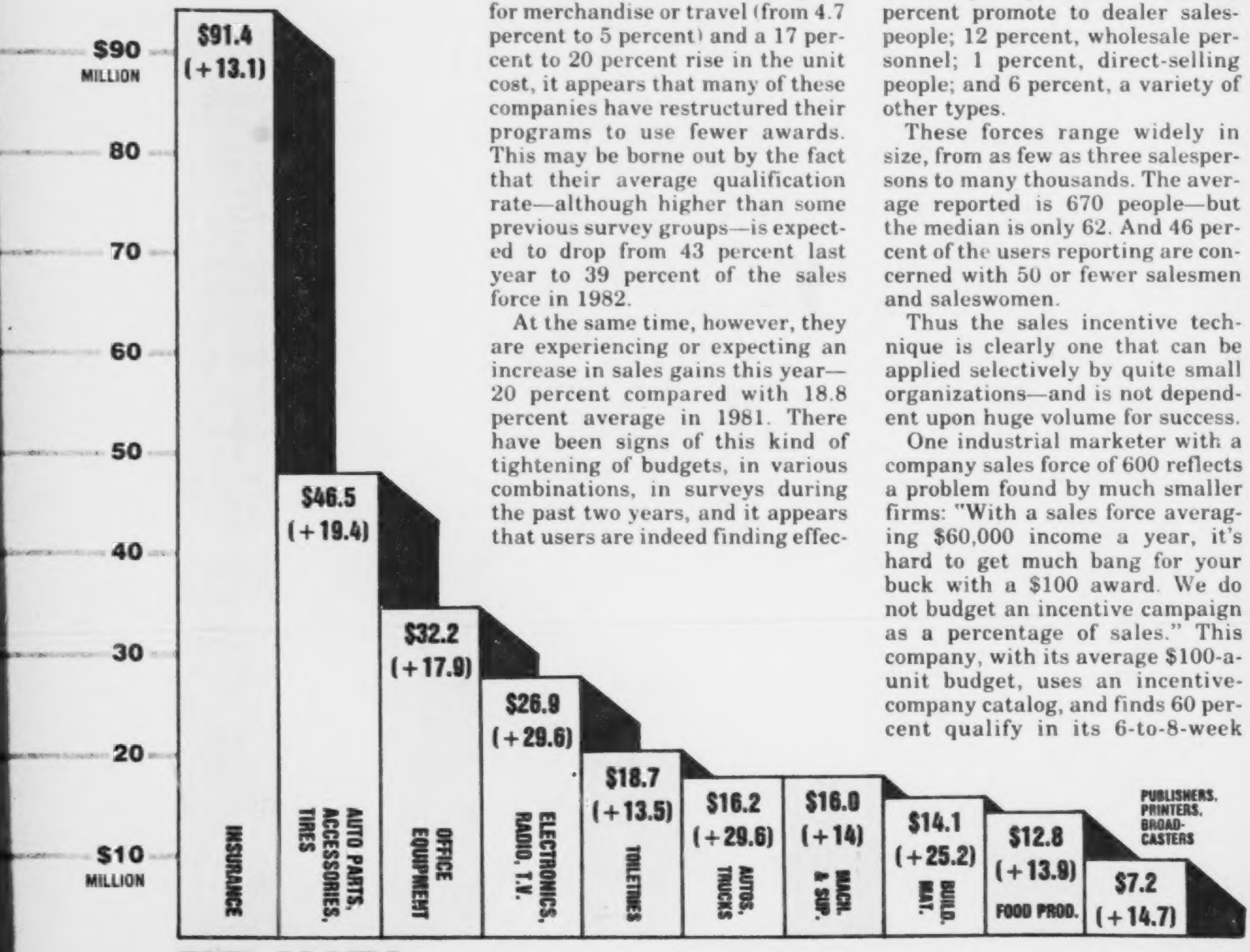
At the same time, however, they are experiencing or expecting an increase in sales gains this year—20 percent compared with 18.8 percent average in 1981. There have been signs of this kind of tightening of budgets, in various combinations, in surveys during the past two years, and it appears that users are indeed finding effective ways to get people to do a little more for a little less incentive.

The respondents in this survey direct their incentive programs toward 145,390 salespeople in five different categories—with the majority of 73 percent reporting company-employed people. The second-largest group is manufacturers' reps, mentioned by 21 percent. Another 18 percent promote to dealer salespeople; 12 percent, wholesale personnel; 1 percent, direct-selling people; and 6 percent, a variety of other types.

These forces range widely in size, from as few as three salespersons to many thousands. The average reported is 670 people—but the median is only 62. And 46 percent of the users reporting are concerned with 50 or fewer salesmen and saleswomen.

Thus the sales incentive technique is clearly one that can be applied selectively by quite small organizations—and is not dependent upon huge volume for success.

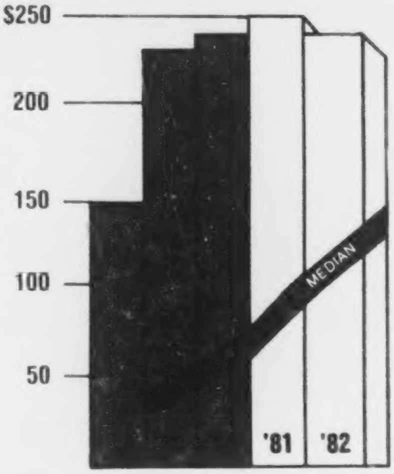
One industrial marketer with a company sales force of 600 reflects a problem found by much smaller firms: "With a sales force averaging $60,000 income a year, it's hard to get much bang for your buck with a $100 award. We do not budget an incentive campaign as a percentage of sales." This company, with its average $100-a-unit budget, uses an incentive-company catalog, and finds 60 percent qualify in its 6-to-8-week



TRAVEL

MERCHANDISE AWARDS
(UNIT COST)

"Merchandise award costs moved up, with median hitting $117. Single premium or small group of related items is this group's favorite, used by 35%." (Key: red is previous IM survey groups, tan is this group's 1981 experiences, 1982 forecast).



merchandise programs. But, because of the budget problem, it plans to reduce incentive spending in the immediate future.

Another user with a negative view of motivating company salespeople is an investment firm with 400 people. The user offers both merchandise and travel incentives, but has achieved only a 3 percent to 10 percent sales gain in the past two years, and plans to cut back on incentive expenditures in the next year. Why? A combination of the poor economy, poor selection of travel destinations—and problems in "convincing top management of the value in motivating salespersons."

Those who have direct control over their company sales forces may be presumed to have an obvious advantage in any time. There is some evidence that this is even more true in a period of economic distress. "We are trying," a major housewares manufacturer told us, "to buy distributor salesmen's time through use of incentive merchandise. Products on which we run incentives are declining product lines." The result, he reports, is a zero sales increment last year and this year, in spite of incentive programs in which about 60 percent of eligible salespeople qualified.

A small direct seller did well in 1981, with a 22 percent sales increase during his incentive campaigns. But his 1982 outlook is for no growth at all. He blames it totally on the economy, which has had a severe impact on his young-homemaker customer base. "We never had problems until the bottom fell out—in 34 years, I never saw it so bad." On a question about quotas, he says simply, "Their ultimate goal is to sell for survival."

An appliance manufacturer aiming his program at more than 100 dealer and wholesale people, with an expectation of 25 percent sales growth during a campaign, achieved only 17 percent last year and expects just 12 percent in 1982. The problem he notes is "making heros out of the bums, and bums out of the heros."

The principal name of the sales incentive game is to sell more—and "increase overall volume" is the single objective that always comes out on top, listed by 75 percent of the executives reporting in the present survey. But we listed 14 different objectives in the questionnaire—five more than in previous surveys. The No. 2 choice, as usual, was "sell new accounts," favored by 52 percent of the executives reporting.

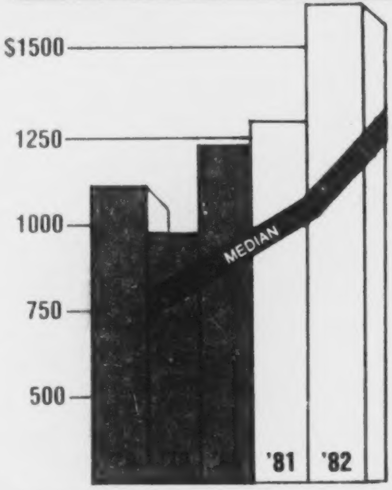
Tied for third position among the objectives were "introduce new products" and "boost sales force morale," both mentioned by 47 percent of the users.

The objective that ran fourth in the last couple of surveys, "move full line or slow items," was listed by only 13 percent of the respondents—apparently because some of the newer listings covered similar priorities. "Increase market share" was given a 35 percent vote. Other new entries were "improve balance of sales," 21 percent; "sell high-margin lines," 16 percent, and "improve inventory situation," 13 percent.

Also-rans among the objectives indicated were "obtain store displays," 11 percent; "offset competition," 10 percent; "assist in sales training," 9 percent; "back consumer promotion," 7 percent; and "back dealer promotion," 6 percent.

Perhaps surprisingly, there has been a slight increase in the incidence of merchandise incentive campaigns among the survey respondents. They report that they used a median of two such promo-

TRAVEL AWARDS
(UNIT COST)



"A variety of sources are used in travel programs, but do-it-yourself is dominant. 30% of survey group uses a local travel agency, and 24% make their own travel arrangements." (Key: red is previous IM survey groups, tan is this group.

tions last year, but the number increases to three for 1982. In travel programs, the median remains one for both years, and combination programs also stand pat at two per year.

The duration of incentive promotions has not changed greatly since the previous survey a year ago. The overall duration then was reported at 20 weeks. In this survey, travel and merchandise events were listed separately and the average duration was reported at 27 weeks and 17 weeks, respectively. Sprint campaigns are averaging six weeks with these users, compared with five weeks a year ago.

How long does it take to gear up for this sort of program? These companies tell us they spend an average of 13 weeks in planning for a merchandise offering—and more than twice as long, 27 weeks, to get ready for a travel incentive program.

Incentive planning can be a major consideration for any user. Time, logistics, approvals, award selections and preparation of promotional materials all contribute to delays and problems. "The biggest challenge in planning any campaign," says H. A. Schwartz, Newspapers Inc., Milwaukee, "is the development of the confidence and enthusiasm needed to stimulate the necessary effort. It requires new ideas, careful planning and the right combination of awards. Cash is important in any contest, but people really work for trips. A good merchandise award can be helpful."

The toughest part for one plastics manufacturer is "getting upper management to react with the program." Similar sentiments abound. "Budget approvals kill more good ideas than anything—we are very fragmented in this area," another executive pointed out. "Top management decisions take too long!" said another. And an electrical manufacturer has difficulty "getting sales/marketing personnel to agree on program and theme in sufficient time to plan and support properly."

Setting performance quotas is a key element in the planning process—and it is not without difficulty for many users. About 38 percent of the respondents use quotas based on year-ago sales, while 17 percent work against an immediate-previous period. But the largest number—45 percent—believe in a flexible system in which individual quotas are established based on individual circumstances.

In 53 percent of cases, the quotas pit each salesperson against his or her own previous record. Direct competition between members of the sales force is favored by 32 percent, while 15 percent foster group competition.

Not all use quotas, however. As reported in our survey a year ago, only 72 percent said they set individual quotas. The most difficult part of setting up the incentive program, notes M. Jaffee of West Cabot Cosmetics, is "making quotas realistic and productive, so that they meet all economic conditions at the time of a contest."

It's a problem, says D. Schwindt of Fresh Foods Co., Portland, OR., of "reducing all salespeople to a common competitive level—to account for sales increases relative to customer mix and salespersons' volume."

Translating the quota is important too, as Fred Depuy of Wallace Business Forms notes: the challenge is "making the contest rules convey the desired end result to the participants."

"The goals," F. Garbark of Babco Inc., Pittsburgh, sums up, "must be ambitious, but not overly so. A person must be motivated to reach for glory, but the glory must be attainable. Personnel must believe that with some extra effort the brass ring in the form of cash, a trip, a car, TV, etc., can be theirs."

The awards can be theirs, on the average, at attainment of 99 percent of quota, according to these surveyed executives. That is the minimum qualification level they indicate. Maximum credits are earned at an average level of 120 percent of quota. This shows a less liberal handling than the results in a similar survey last year, when the respective figures were 90 percent and 113 percent.

Shopping for incentives is not an easy chore—and a travel user seems to have a tougher time with it than the buyer of merchandise. A magazine publisher comments: "Our incentives are based upon achieving 100% of annual quota. Finding a time for the travel which is convenient to all involved is becoming a greater problem every year."

Jack E. McNeil of Northwestern Security Life Insurance likes to tie in with sporting events. "Getting proper sporting event schedules for cities far enough in advance to plan contest and kick off early enough" is a major problem for him.

G. L. Petrovich of Slovene National Benefit longs for "The uncanny ability to select a site or prizes which are new to the market today and which will be hot during the campaign. If we develop a foolproof selection system, my new business address will be Tahiti."

Using the right sources can, of course, simplify the selection process, even if it isn't foolproof. The surveyed executives' preferences differ widely on sources, both for travel and for merchandise.

Our questionnaire listed five options for merchandise buying and the same number of travel sources. No one source in either group has more than a 39 percent preference this year.

Here are the choices, with the percentage of users who indicated a preference of each. Choices add to more than 100 percent because of multiple answers.

Merchandise

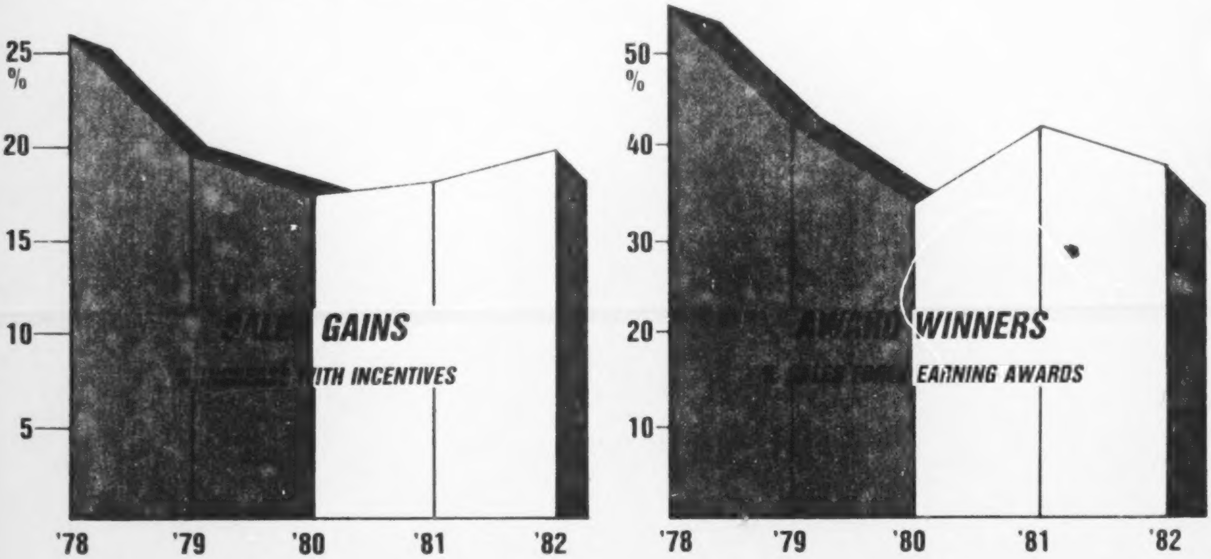
39%	Bought direct from manufacturer
24%	Full service incentive company
24%	Premium rep
22%	Wholesaler jobber of premiums
19%	Specialty advertising distributor

Travel

30%	Retail or local travel agency
24%	Make own travel arrangements
12%	Travel wholesaler or tour operator
11%	Airline, hotel, cruise line
10%	Full service incentive company

And what do they buy? There are three broad choices open to the user of merchandise, and two distinct options with travel. About 35

"This survey group expects better sales increases this year than last, but at a price, with fewer members of the sales force taking home awards." (Key: red area is previous IM survey groups, tan area is this group's experiences & forecast).



percent of the users said they prefer a single premium or small group of merchandise items. Another 23 percent lean toward a stock incentive catalog, while 15 percent like to have a customized catalog produced for their programs.

In the case of travel, individual awards are now favored by 39 percent of the companies, compared with 33 percent who prefer group trips.

This year's questionnaire also asked about the use of "honors/recognition awards (plaques, trophies, etc.)," and 54 percent said they are using such items this year—although that is down from 65 percent who indicated such recognition items used in 1981. It is probable that most of these firms used such awards in addition to merchandise or travel prizes, rather than by themselves.

> ***"It's getting harder to earn awards. Typical user now starts paying award credits at 99% of quota, against 90% last year. And a salesperson now has to hit 120% of quota to earn maximum awards, against 113% needed last year."***

Every incentive user, whatever his or her choices at each step of the planning, timing, selection, promotion and administrative processes, comes to the end of the program with a set of information on results—which must be evaluated in some way. Did we accomplish what we set out to do? Did the sales results measure up? Did the campaign costs stay within budget? *Are we where we wanted to be at the end?*

There are at least eight criteria that can be applied to help measure results—but no completely clear consensus as to which represent the best route. Users in this survey, on the average, employ two and one-third of the measurements listed in the questionnaire.

About two out of three—68 percent—consider "total dollar sales of all products." "Sales of selected products" and "new accounts opened" are the next-favored yardsticks, each used by 36 percent of these executives.

About 34 percent look at "total unit sales of all products," and 33 percent are impressed by "sale of new products." At the low end of the scale, 14 percent measure "increased market share;" 9 percent, "displays placed;" 6 percent have "other" ways of measuring their results; and 3 percent, "dealers signed for promotion."

All of these bench marks tend to overlap the list of sales incentive objectives, as they should, and each user must look first at his broad objectives and then determine which of the measures can most surely test its achievement.

But it is not always that easy. "Our business," comments one industrial manufacturer, "is very erratic and unpredictable, which makes it difficult to measure any additional increases that may have been the result of a particular contest."

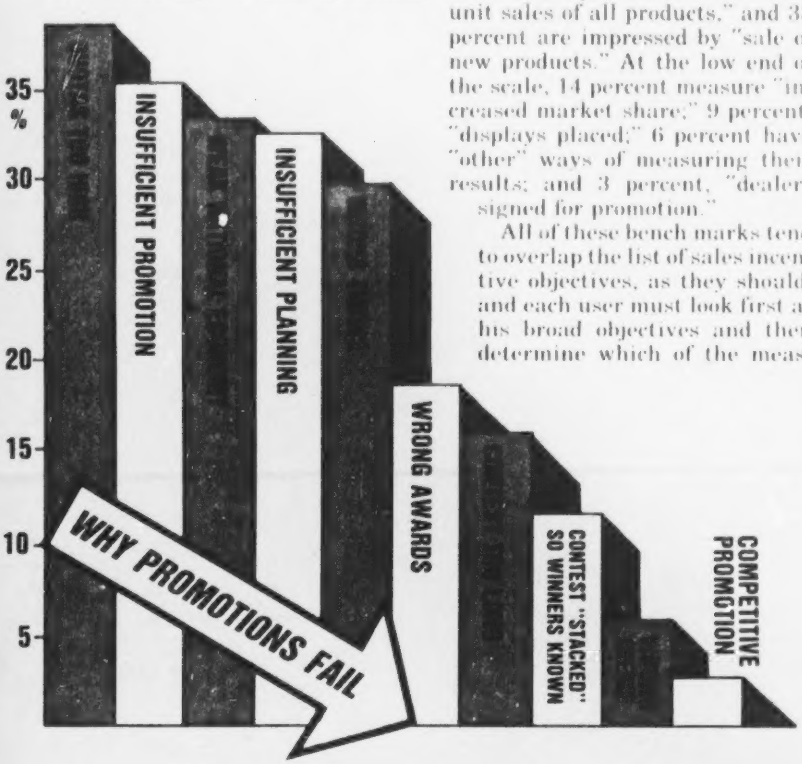
All in all, most of the users responding in our survey have succeeded in making evaluations that, at the least, convince them their incentive efforts are well spent. The area where more effective evaluation would be a major value is in selling the incentive program ideas to top management—an area of much frustration for many executives.

Economic uncertainties in the 1982 business climate, of course, do not enhance the opportunity to forge precise plans—or to evaluate their execution.

Recession begets uncertainties at the same time it makes new demands on marketers. Incentives may help many meet some of those demands—but they will not create miracles.

Yet, with the indicators falling all around us, it would seem that the apparent 7.5 percent increase in dollar outlay for cost effective sales force incentives may in fact be one of the brighter spots in the national picture.

Even if, with inflation, it represents barely standing still, that is significantly better than many other phases of the economy are managing this year. And, more important, the testimony of these 217 incentive users clearly indicates they are either making some gains or at least holding their own. Wait till next year? ■



AUGUST 1982

Incentive Marketing

INCORPORATING INCENTIVE TRAVEL

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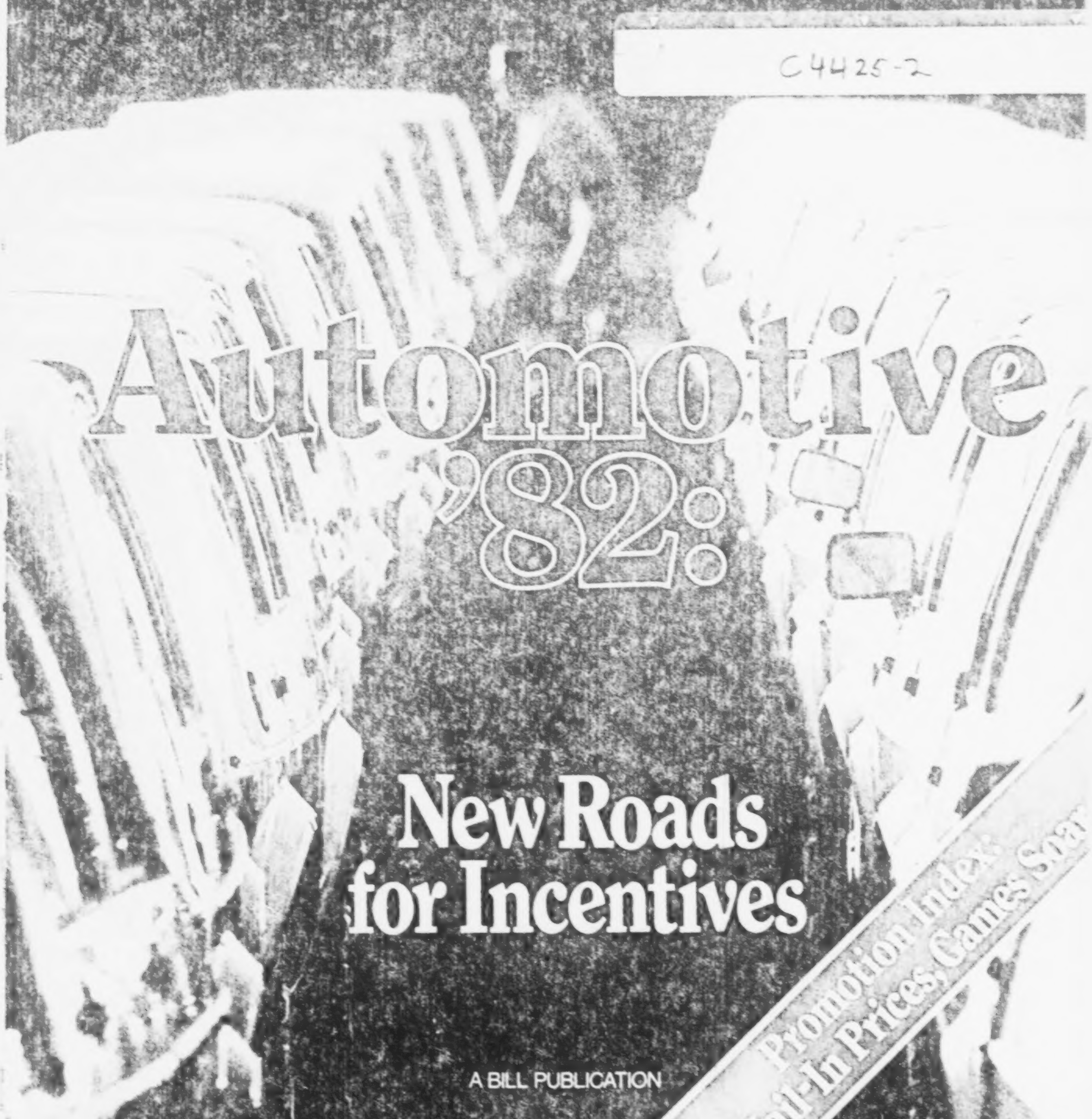


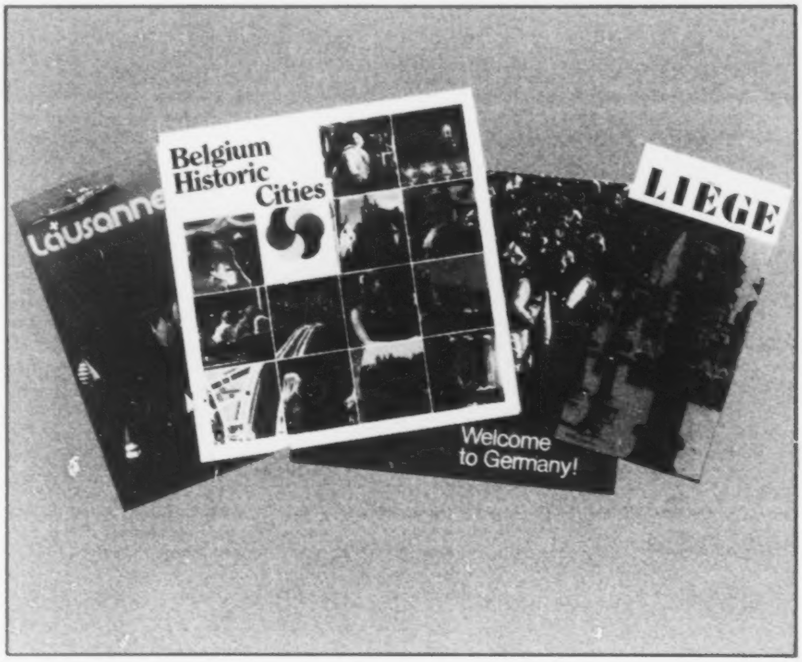
Automotive '82:

New Roads for Incentives

Promotion Index:
Mail-In Prices, Games Soar

A BILL PUBLICATION

August 1982



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78th Year
Volume 156
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23 *AUTOMOTIVE '82: NEW ROADS FOR INCENTIVES*—Though the production end of the automotive industry might be ailing, the aftermarket business is booming. Incentives, too, are enjoying a boon in the automotive industry as a whole, to the tune of $647 million. Manufacturers seem to feel that incentives help keep their market more stable, while the aftermarket uses incentives to motivate both end users, and the sales and dealer networks. In this issue, IM looks at both market areas with case histories of selected firms.

27 *AUTOMOTIVE '82 CASE HISTORIES*—

GM Australia:
Auto dealers pick an exotic and exciting incentive site—the USA!

Englebert:
A tire company's first-ever incentive program is first-class.

Pennsylvania Oil:
A new product line calls for a new premium program.

Bill publications and divisions: Incentive Marketing, Incentive Marketing Facts, Industrial Chemical News, Institutional Distribution, Jobber Retailer, Modern Tire Dealer, Plastics Technology, Restaurant Business, Restaurant Design, Rubber World, Sales & Marketing Management, Successful Meetings, BillCom Books & Directories, Integrated Food Services, Market Statistics Inc., Sales Builders, SM Data Bank & Seminars.

← Circle No. 104 on Buyer Action Card

Mail-in prices climb to $9.93 in first half of '82

NEW YORK, N.Y. — Two long-term trends continued to dominate consumer premium promotion in the first half of 1982: a steady increase in the price asked for mail-in premiums, and another gain in the sweepstakes & games segment.

To keep track of trends in premium promotion to consumers, **Incentive Marketing** monitors activity in various retail stores and advertising media. In the first half of 1982, 670 manufacturer-sponsored premium promotions were recorded and analyzed. A year ago, 529 promotions were counted.

Mail-ins hit $9.93. In the first half of 1982, the average price of a mail-in premium hit a record $9.93, against just $5.65 a year ago. While a large gain, it is in line with data from an IM survey group, reported in our March issue. That group, primarily heavy users of consumer premiums, reported a median mail-in price to the consumer of about $9.

The mean price—the number mentioned most often—also jumped, for the first time in several years. The mean rose to $1.50, from the $1 level.

The price increase showed up in a general shift towards the higher ends of a pie-chart breakdown. Here is how the breakdown compares this month, against a year ago:

	1982	*1981*
Free	17.0%	31.7%
0.01—99¢	7.5%	0.3%
$1—$4.99	35.0%	30.3%
$5—$9.99	20.8%	21.2%
$10 and up	19.7%	16.5%

More than one-third of the mail-in offers—35 percent—put a claimed retail value on their promotion, against 22 percent stating a retail value a year ago.

Tie-ins strong. No statistics were kept on types of premiums offered in self-liquidating and free mail-in promotions, but some trends were noted. Self-liquidators continued to see heavy use as a way of reinforcing a brand's product statement and selling points:

- Cold Power laundry detergent (Colgate Palmolive) played up its energy-saving theme with a solar-power pocket calculator, offered for $9.99 and two proofs. "Add up your energy savings," notes the ad headline.

> ***"Rub-off and instant winner continue to be the name of the game in games, as these promotions accounted for 18% of all consumer sweeps."***

- Joy dishwashing soap (Procter & Gamble) tied in with its television commercials by offering Corelle dinnerware from Corning. "With this offer, you're all set to shine," states the ad. Terms: $7.25 and one proof for a five-piece service, or $22.50 for a 20-piece collection.

Innovative customized premiums were fewer, but there were ample offers customized by putting a brand's label on a stock item such as a vacuum bottle or T-shirt. Some innovations that did stand out:

- American Home Foods use of a radio shaped like a jar of Gulden's mustard—"perfect for picnics, beach activities," said the ad copy. Radio was $7.95 and one proof.
- An alarm clock from Stanley Home Products, in the shape of a Stanley Powerlock tape measure. "Time to measure up," said ads, offering the yellow-and-silver clock for $12.95.

Marketers continue to find items priced right enough to be offered as free premiums. Standouts included Shulton's offer of a men's leather belt, free for Old Spice proofs, McCall's Active & Easy fashion patterns, free from Geritol, and two offers from Nabisco: a wooden cheese board, free for various snack proofs, and a decorative cookie tin, also free for three proofs.

Rub the right way. Rub-off and instant winner continue to be the name of the game in games, as these promotions accounted for 18 percent of all consumer sweepstakes noted in the first half of 1982. A year ago, they measured 17 percent of the total. Notable once again has been the expansion of these games into just about every product area, with especially notable activity in the automotive and auto parts fields.

Promotion sponsors were evidently feeling a bit more generous in 1982, as measured by the number of prize levels in contests. Here is how the number of prize levels compares with a year ago:

	1982	*1981*
One level	14.2%	17.8%
Two levels	8.5%	11.8%
Three levels	10.0%	22.7%
Four levels	22.0%	23.2%
Five or more	45.3%	24.5%

Typically, lower prize levels are lower-value items such as product samples, posters, recipe booklets, or discount coupons.

Two categories ran neck-and-neck as the most popular grand prizes: cash and travel. Money was the top prize in 31 percent of contests noted, and travel was grand prize in 29 percent. Automobiles were third but used in just nine percent of contests. A combination of these big three (cash and travel, travel and car) was top prize in 20 percent, and other items were featured in 11 percent.

Top users. Food Products continue to be the leading user of consumer premium promotion, accounting for nearly half of the offers noted in the first part of 1982. Here are the major users, and their share of promotion sponsorship for a year ago:

	1982	1981
Food	48.0%	40.8%
Health & Beauty Aids	12.0%	11.8%
Cleaning Aids	8.0%	4.3%
Pet Foods	4.2%	2.2%
Autos, Auto Parts	4.0%	NR
Paper Products	3.0%	2.8%
Soft Drinks	2.5%	2.8%
Alcoholic Beverages	2.3%	4.5%
Appliances	1.6%	2.1%
Tobacco Products	1.4%	1.1%
Miscellaneous	13.0%	24.1%

The miscellaneous category includes publishers, fast food restaurants, airlines, sports equipment, rental car companies, toy manufacturers, clothing, and others. ■

Insurers taking more careful aim with promotions

NEW YORK, NY. — "Target Marketing" is increasingly the direction for incentive programs run by insurance companies, says one expert.

"The major countrywide programs just aren't going to be as important," says Fred E. Dabney II, assistant secretary for sales promotion at The Hartford Insurance Co., Hartford, CT. "You'll see smaller, more regional, and more tightly focused incentive programs, where the company can put the dollars against the highest potential profits."

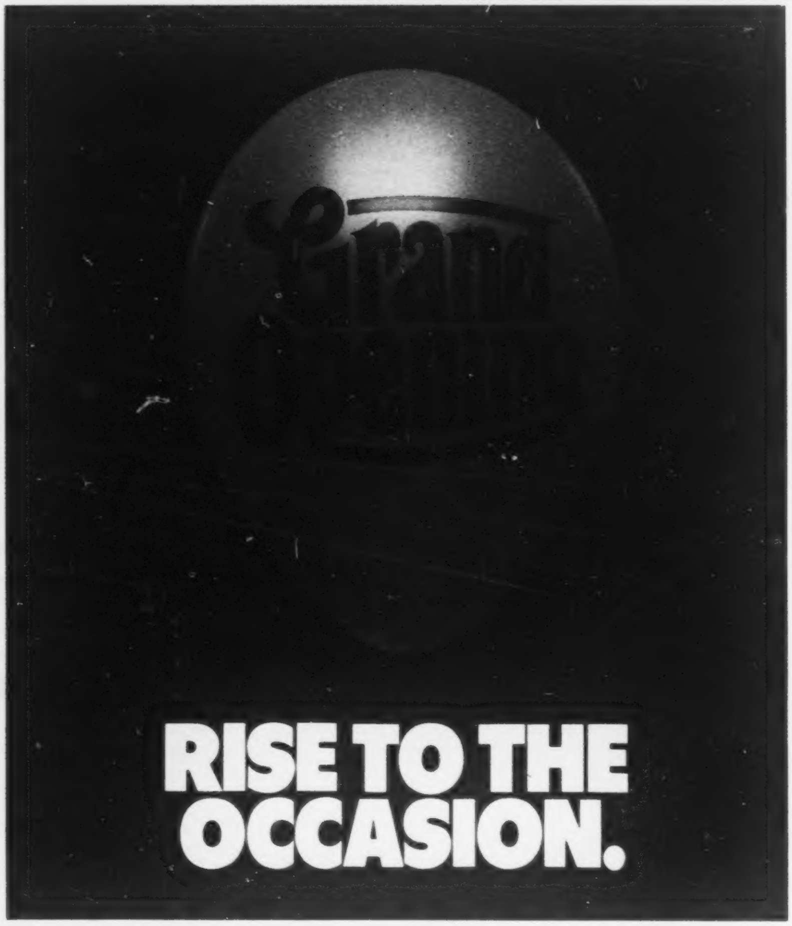
Pick and choose. One reason for this shift in direction is the dollar squeeze the insurance industry finds itself in today, Mr. Dabney told a seminar at the New York Premium Show.

With a target marketing approach, says Mr. Dabney, a company can identify an area of potential growth, develop an insurance package for it, and then go after it. "It's a target segmentation approach to business. We pick out an area, see if it is feasible, and go after it, often putting an incentive on to promote it."

Goodwill abounds. One staple of the insurance industry he expects to see around for a long time is the goodwill premium catalog, offering agents a variety of premiums and gifts they can pass along to customers and prospects.

Mr. Dabney reports one estimate that insurance companies spend as much as $80 million a year on such imprinted business gifts, and notes that The Hartford alone does more than one million dollars a year on its catalog.

Much of the work is done inhouse, by The Hartford's 32-person sales promotion staff, which buys premiums, develops promotion flyers, and administers much of the fulfillment. ■



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Circle No. 110 on Buyer Action Card

Automotive '82:

New Roads For Incentives

Automobile manufacturers today are trimming inventories, cutting salaries, and scrambling to keep afloat.

The aftermarket business, on the other hand, is booming. April 1982 was the 14th consecutive month in which aftermarket volume has shown an increase over year-earlier months. A recent analysis by management consultants Hayes/Hill Inc. shows an increasing demand for the business, as cars get older and the 1.2 percent increase in cars on the road is expected to continue.

How do incentives fit into all of this? About $647 million worth, according to surveys by Incentive Marketing. This breaks down to $238,708,000 for automobile manufacturers—most of which is spent in the sales and dealer area—and $408,329,000 in the aftermarket.

Automobile manufacturers upped their incentive spending 16.8 percent, even though they did not have a "year to remember." The increases were a bit weighted toward travel incentives for salespeople and dealers, up 20.6 and 18.1 percent, respectively.

In fact, travel is a big lure for these two markets, with automobile manufacturers hitting the number three slot among all industries in incentive travel expenditures, at $87,613,000. Right behind, at number four, is the automotive aftermarket, at $85,030,000.

Despite their troubled state, automobile manufacturers seem to feel that incentives help to keep their market more stable, and are worth the extra expense, and the effort. And most dealers

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Circle No. 116 on Buyer Action Card

involved in manufacturer's incentive promotions also pass some form of incentive along to their own sales force.

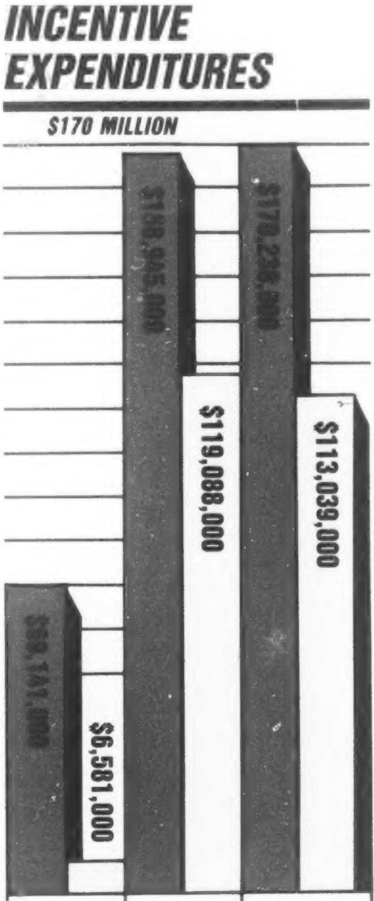
In the aftermarket, a much more visible promotional group to monitor, **Incentive Marketing** saw 68 promotions offered over the past several months: 36 directed at consumers or end users; 32 to sales and dealer networks.

The automotive aftermarket for several years has been tending to move away from its former reliance on heavy incentives to the jobber and dealer trade, and is now more inclined to attempt to motivate all three levels, using promotions with a consumer orientation. This has been accelerated by the trend toward do-it-yourself car repairs and service, which is becoming an important part of the total market.

One incentive trend mentioned recently by several marketing executives is the shift toward sweepstakes and contests. Of the aftermarket incentives directed at sales and dealer networks, slightly more than 40 percent recorded were sweepstakes; while about 22 percent of those promotions aimed at consumers and end users were sweepstakes.

Some good examples:

- From Champion Spark Plugs, Todedo, OH., was a 1982 program offering a free trip to Caesars Palace Grand Prix, Las Vegas. This program played on a technique gaining popularity in general consumer products promotion: consumers had to go to a Champion dealer with their game tickets to "decode the scrambled design to determine the winning message" in the promotion, which indicated the prize. The program also carried over to dealers, as they had the chance to win prizes depending on what their customers won.
- From Stewart-Warner Corp., Chicago, IL., was a counterperson sweepstakes that began by offering cash bonuses for specified sales, with a certain number of bonuses earned giving them a chance in the sweepstakes, with top prize an RCA Selectavision video cassette recorder.
- From Motorcraft, a division of Ford, Dearborn, MI., was a refund offer, overlayed with a sweepstakes offering the chance to "Win the World," with grand prize a 1982 Ford Escort, a trip-for-two to a game of the 1982 World Series, and $5000 cash. Other prizes were a three-day trip to the 1982 World's Fair plus $2000, luxury handcrafted luggage, sport action binoculars, and digital travel clocks. ■


INCENTIVE EXPENDITURES

Incentive Marketing

INCORPORATING **INCENTIVE TRAVEL**

SEPTEMBER 1982

The Business of Business Gifts

Pre-Show Special:
National Premium-Incentive Show Product Guide

A BILL PUBL

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78th Year
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ISSN-0019-3364

24 ***THE BUSINESS OF BUSINESS GIFTS***—Though somewhat lower than earlier estimates, business gift expenditures by American firms will reach $926 million this year, according to IM's most recent survey of gift-giving practices. This is a 6.8 percent increase over 1981 expenditures and $19 million less than the expected $945 million estimated earlier in the year. Other survey highlights include the why's, how's, and who's of gift-giving.

33 ***GALLERY OF GIFTS***—To help with your gift-giving selections, IM has compiled a Gallery of Gifts featuring hundreds of suggestions, enough to fill all your shopping needs. And to help with finding these suppliers, key-in numbers to IM's Buyer Action Card have been supplied, in addition to booth numbers for these firms—where possible—at the upcoming National Premium/Incentive Show in Chicago, Oct. 11-14.

Bill publications and divisions: Incentive Marketing, Incentive Marketing Facts, Industrial Chemical News, Institutional Distribution, Jobber/Retailer, Modern Tire Dealer, Plastics Technology, Restaurant Business, Restaurant Design, Rubber World, Sales & Marketing Management, Successful Meetings, BillCom Books & Directories, Integrated Food Services, Market Statistics Inc., Sales Builders, SM Data Bank & Seminars.

Who • What • When • Why How Much ?

There will be more than 50 million business gifts distributed in the United States this year, at an average cost of around $18.50 each—a total of $926 million, according to the latest estimates.

But that total will be somewhat lower than had been anticipated earlier—and the increase over 1981 spending is a smaller-than-inflation percentage.

These gifts will go to customers, both consumer and business—to prospects—to employees—to stockholders, as well as to a variety of other business friends of the donors.

The practice of business-gift giving itself elicits widely different reactions, even from the donors, and many of them are high in emotional content. This year's **IM** survey has brought up a baker's dozen of terms that express those emotions, and they fall into three basic categories.

There is the *benevolent*, expressed by such words as appreciation, friendship, good will, gratitude, and thank-you.

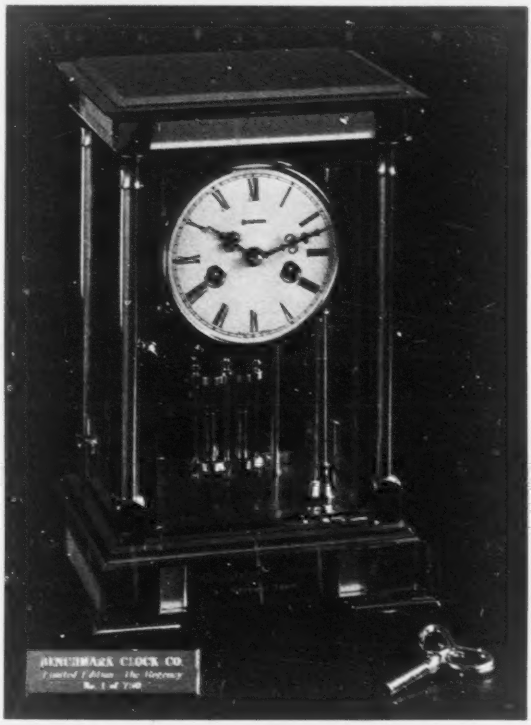
Then we have the *practical*, in such terms as advertising, image-building, reminder, and visibility.

Finally, attitudes ranging from *neutral to cynical* are expressed in terms such as custom, habit, tradition, and necessary evil.

Such reactions to the gift practice show little or no change from year to year . . . and those who love to give keep on doing so . . . while many who say they hate to give continue to do so, nonetheless.

Estimated gift expenditures for 1982 in the last **IM** FACTS survey ran in the area of $945 million, which would have been up just 9 percent from last year's volume. Preliminary readings of the new FACTS data, however, suggest a lower total of $926 million, only 6.8 percent higher than the 1981 gift budget.

Nothing in the specific reports or comments suggests any clear reason for the relatively poor level of gift business—and it must be presumed that it is simply a reflection of a sick economy.



The Regency. Benchmark Clock Co. (Exhibiting at NPIS Booth 747)

For more information circle No. 1 on Buyer Action Card

The Business of

Most of the respondents—62 percent—in IM's special survey on business gifts report that, in spite of inflation, they are holding the line on the cost of individual gifts, while 9 percent plan a reduction. Only 29 percent expect to spend more per unit.

The number of recipients on their gift lists is higher than in previous surveys—although these particular users indicate they have cut their lists since last year. The median number of gifts per company among them is 120, compared with 100 in similar groups the past two years. For this selected group, however, the median is down—although they show an overall increase of about 5 percent in the arithmetic average of all the firms' gifts.

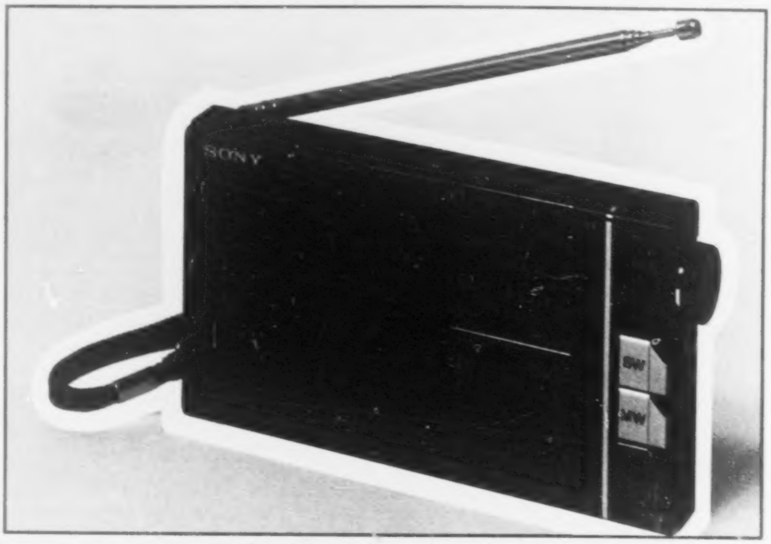
For this special survey, IM sent a questionnaire on business-gift practices to more than 500 early respondents to our 1982 FACTS Census Survey. We received 252 responses, 244 of which were complete and received in time for tabulation. This report of current business-gift practices is based on the answers of those 244 companies.

As always, customers are the most-favored recipients of business gifts. This year's finding shows that 23 percent of the respondents give to "all or most customers"—exactly the same as in the 1981 survey. However, there is some increase in the number of executives who give only to "major customers": 75 percent this year, compared with 68 percent a year ago. This suggests an increase in selectivity, perhaps as a means of containing budgets.

Some 34 percent of these respondents give gifts to their employees, and prospects are the recipients in 18 percent of cases. Only 5 percent give to stockholders, while 6 percent favor other recipients, includ-

Jasper Giftware.
Wedgwood.

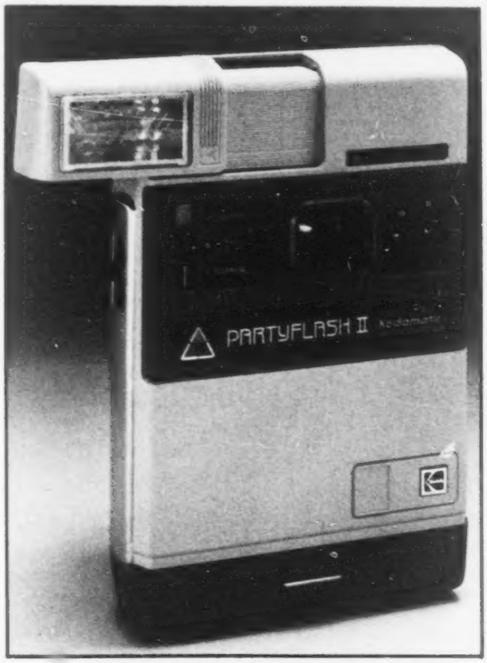
For more information circle No. 2 on Buyer Action Card



Six-bank Pocket World Receiver.
Sony Corp. of America.
(Exhibiting at NPIS Booth 204)

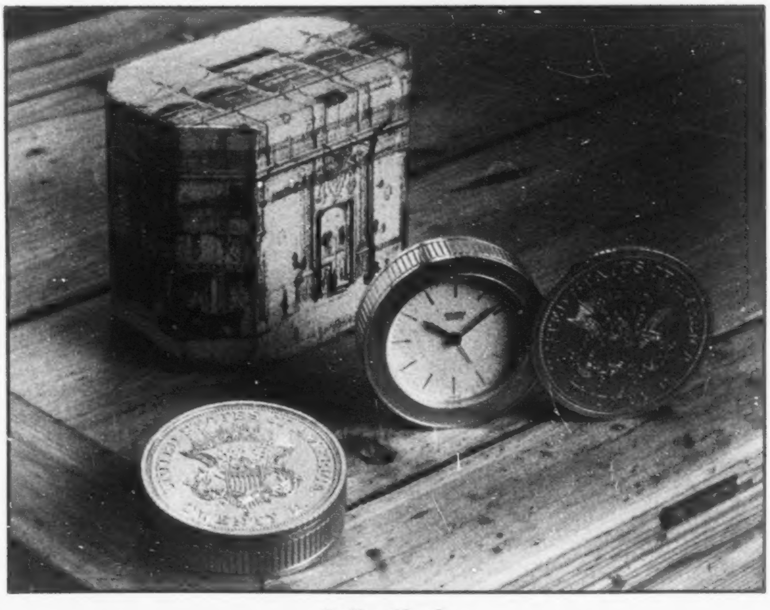
For more information circle No. 3 on Buyer Action Card

Business Gifts



Partyflash II Instant Camera.
Eastman Kodak Co.
(Exhibiting at NPIS Booth 2216)

For more information circle No. 4 on Buyer Action Card



Seiko Clock.
Seiko Time Corp.
(Exhibiting at NPIS Booth 1415)

For more information circle No. 5 on Buyer Action Card

ing a variety of plant visitors, reps, dealers, contractors, and other business friends.

Christmas is still the favorite time for gifts, but there appears to be a slight erosion of its near-monopoly on the practice. The yuletide spirit has had about an 85 percent share of the business-gift pie for many years. It slipped to 78 percent in 1980, and to 74 percent the following year. Now, 68 percent of the executives responding in our survey said they give gifts at Christmas, the lowest report in the history of the surveys.

Gift occasions other than Christmas, however, are distinctly nonspecific. About 7 percent give on company anniversaries, 7 percent at Thanksgiving, 5 percent on birthdays, and 3 percent at New Year's. But the "other" category shows the diversity of the gift practice, with 53 percent indicating they give on "other" occasions, generally unspecified ones. This miscellaneous category, which has grown from a 37 percent mention in the 1981 survey, would include trade shows, plant visits, sales meetings, and other events.

Despite a bit of reduction in the percentage of gifts given at Christmas, buying of gift items has tended to move later in the year among this survey group. September remains a leader at 27 percent, one point ahead of last year's survey finding, but October now equals it. In each month, 27 percent of the surveyed executives buy some gift merchandise. About 68 percent of these respondents buy gift merchandise during the last four months of the year.

Here is how the gift-buying calendar goes, with the total above 100 percent because of multiple answers:

January	*3%*
February	*5%*
March	*6%*
April	*7%*
May	*8%*
June	*9%*
July	*8%*
August	*14%*
September	*27%*
October	*27%*
November	*10%*
December	*4%*

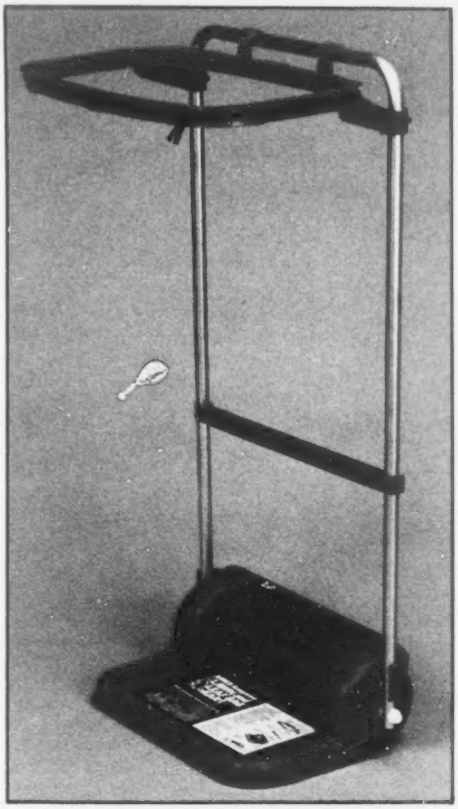
The unit cost of gifts among surveyed executives, after remaining static for several years, has increased substantially among the respondents this year. In 1978, the median expenditure per gift was $15. It dipped to $14 in '79, and then returned to $15 in the following two years. Now, however, the comparable figure is $18.50. However, when some very large figures are eliminated, the median of gifts under $100 is again $15.

Upward pressure is seen in another indicator. The longstanding Internal Revenue Service dictum on deductibility of gift expense—$25—has created a barrier that most executives do not wish to cross, for obvious reasons. But this year's survey shows that 30 percent of gift choices do exceed that limit, compared with 25 percent a year ago.

Although the users in this year's survey appear to be somewhat bigger spenders than those studied in previous years, 26 percent said they have cut back their gift expenditures within the last two years. Two-thirds of those reduced their spending by paring their gift lists, while 46 percent said they spent less per gift, and 10 percent were discontinuing the practice entirely. The total exceeds 100 percent since some chose to cut their lists as well as spend less per unit. About one in six who had reduced gift expenditures previously said they would restore the cuts this year.

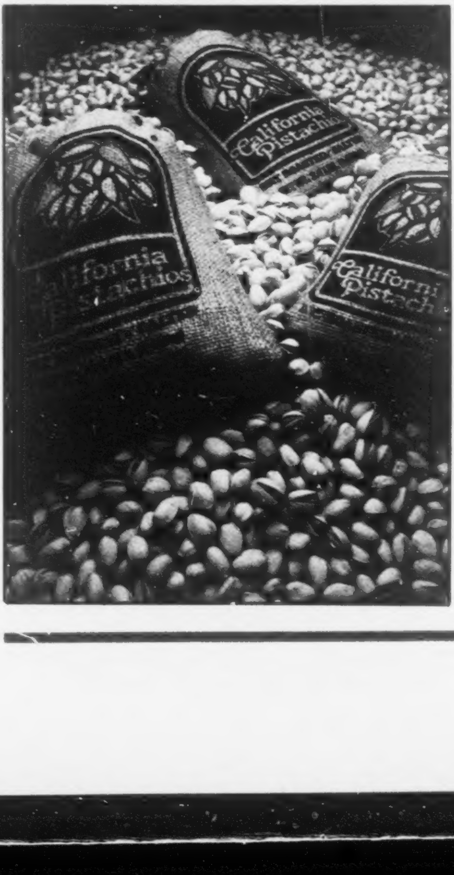
In the matter of what type of gift to give, personal merchandise and desk items have increased in favor this year, compared with last year's survey group, while liquor has lost ground. Few of these executives show exclusive preferences, however, and their choices indicate an average of almost two different sorts of gift per respondent:

	'82	'81
Personal merchandise	*57%*	*51%*
Desk items	*46%*	*40%*
Food	*23%*	*23%*
Choice of several	*8%*	*6%*
Home decorative items	*23%*	*27%*
Own products	*4%*	*5%*
Liquor	*16%*	*25%*
Other	*6%*	*NA*



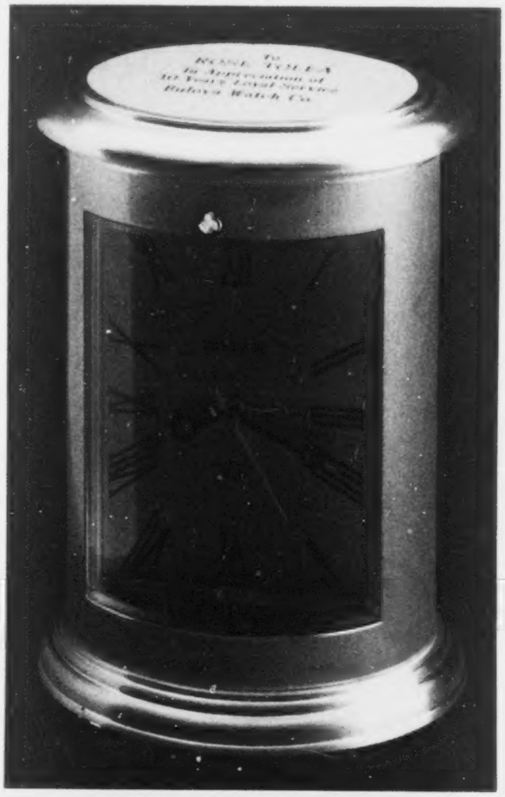
Ames Kangaroo Lawn & Leaf Bag Kart.
McDonough Incentive Division.
(Exhibiting at NPIS Booth 1722)

For more information circle No. 6 on Buyer Action Card



California Pistachios.
Fresno Trading Co.
(Exhibiting at NPIS Booth 7714)

For more information circle No. 7 on Buyer Action Card



Banker Alarm Clock.
Bulova Watch Co. Inc.
(Exhibiting at NPIS
Booth 1807)

For more information circle No. 8 on Buyer Action Card

Stainless Thermal Carafe with Ceramic Mugs.
Corning Glass Works.
(Exhibiting at NPIS
Booth 1903)

For more information circle No. 9 on Buyer Action Card

A further breakdown of gift-giving choices shows a total of 643 gifts named by givers—many are duplicates—which, broken down into 13 product categories, finds Desk Sets & Accessories at the top of the list. 147 gifts fell within this category, including pens and pen sets, diarys, calendars, briefcases and portfolios, paper weights, business card cases, and address books. Here's how the complete breakdown of gift choices ran:

Desk Sets/Accessories	*147*
Home/Decorative Items	*119*
Electronics	*100*
Food	*54*
Personal/Accessories	*48*
Apparel	*32*
Sports Equipment	*31*
Liquor/Wine	*25*
Luggage	*16*
Jewelry	*15*
Watches	*10*
Cameras	*4*
Miscellaneous Items	*42*

Many users, of course, prefer to select gifts individually for each recipient. This necessarily applies where the gift list is small. Others may select two or three different items, of different types or prices, and segment their lists. Over the entire group of 244 companies reporting, there were 486 prices cited—almost exactly two levels for each executive, on the average, though some showed as many as four or five different price ranges for gifts with different purposes.

Those who wish to make their gifts highly personal are very likely to shop for them in retail stores, and that is the source mentioned by 9 percent of this year's respondents. Another 9 percent buy from mail-order firms. But the clear favorite among gift sources is direct purchase from manufacturers, chosen by 53 percent of these executives, compared with 48 percent a year ago. Second choice is incentive reps, who supply gifts to 38 percent of the survey group. Other sources include advertising specialty counselors, 30 percent; wholesalers, 21 percent; premium jobber, incentive house, or stamp company, 18 percent; and "other," 1 percent.

The delivery of gifts varies widely, of course, depending upon the nature of one's business and the recipients. The most common situation, however, is the gift presented by a salesperson at the recipient's place of business.

Salespeople deliver gifts for 65 percent of these survey respondents, in at least some instances, while the executives themselves deliver some gifts in 41 percent of cases. Other methods are parcel delivery services, 29 percent; mail, 25 percent; and messenger, 7 percent.

By whatever means the gift is delivered, it goes to the recipient's place of business 63 percent of the time, these users report; recipient's home, 40 percent; and the giver's place of business, 18 percent.

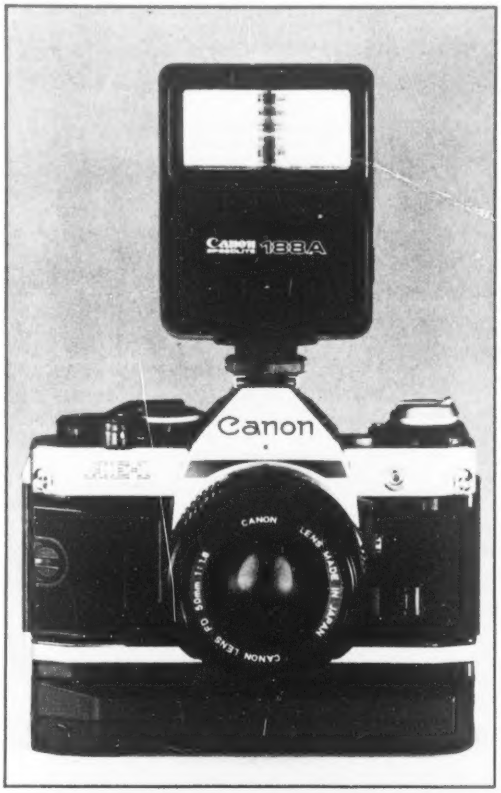
While the delivery may be personal in most cases, the gift is seldom truly personalized—in the sense of being imprinted with the recipient's name or initials. Only 19 percent say they follow that practice, while 70 percent said "no" and 9 percent said they sometimes imprint gifts. Many, however, have the donor's imprint as an advertising reminder.

The 244 gift users in our survey group almost invariably give much more than they receive. On the average, they receive only six business gifts. In some instances, their own companies have policies prohibiting acceptance of gifts.

Such policies, they report, exist in an average of 28 percent of the firms they do business with. Two-thirds do not see an increase in this attitude, although the rest say it is on the rise. This type of policy has its roots in the conception that gift-giving is improper per se, regardless of value or potential to influence a buyer.

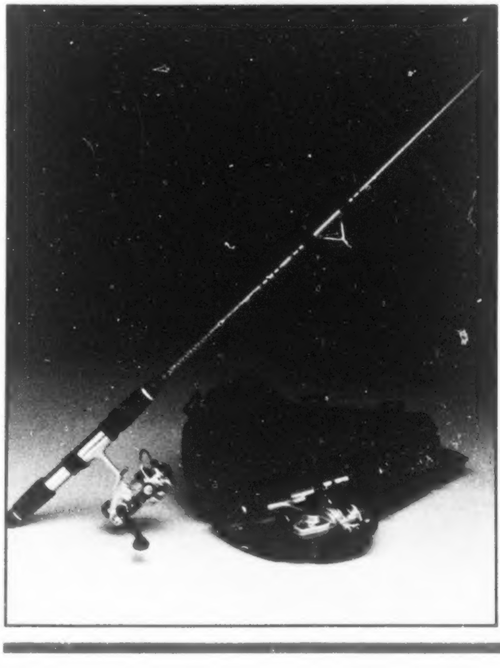
The surveyed executives overwhelmingly deny that their gifts have ever improperly influenced a customer's buying decision: 97 percent gave that response, while the remaining 3 percent admitted to some impropriety.

They are somewhat less certain about the intentions of others who



Canon AE-1, Speedlite & Power Winder.
Canon USA Inc.
(Exhibiting at NPIS Booth 1335)

For more information circle No. 10 on Buyer Action Card



Ultralight Spinning Minisystem.
Daiwa Corp.
(Exhibiting at NPIS Booth 1728)

For more information circle No. 11 on Buyer Action Card

have given them gifts, however. In this case, we asked, "Do you believe gifts you received have ever been intended to influence you improperly?" Here 8 percent allowed that possibility—but again a strong majority, 92 percent, took a stand for the proper use of business gifts.

Still, there are those who look askance at the idea of business gifts. Such as the major corporation that will take great pains to return a $13 or $14 gift from a supplier of a $12,000 contract service. Another, dealing in a far more costly product, gives gifts ranging from $10 to as much as $5000 "to keep our name in front of the customer."

A Midwestern manufacturer points out that "our gifts are not intended to influence a person's buying decision. They are intended as a gesture of friendship. They do not have enough value—$25 to $35—to influence a buying decision. We could as easily send a Hallmark card."

The gift "develops a stronger relationship with the customer," says an oil-company executive. "It acts as a reminder. To avoid improper influence, most of our gifts are given after the sale or commitment, or on a random basis with existing customers."

A manufacturer who deals with many U. S. government employees as well as commercial customers has a two-phase program: "Government personnel who are permitted to receive only gifts of little or no intrinsic value, and commercial or foreign customers who can receive gifts of higher value." His gifts start at $1 or less and go up to well over $50.

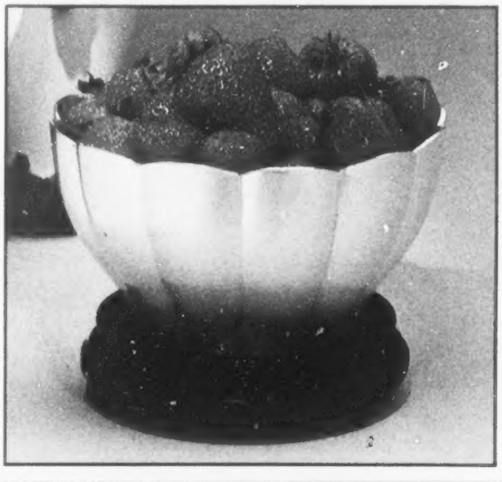
Getting attention at the right time is an important part of the rationale of business gifts. "We sell high-quality services to the refining, chemical, steel, and marine industries," says J. C. Scheider of Union Carbide. "A need for our service arises when a customer has a problem—it is the intent of the gift to provide a reminder of our company and service if and when a problem occurs that we can solve for him."

An overwhelming denial comes from executives when asked if gifts have ever influenced a customer's buying decision: 97% gave that response, while 3% admitted to some impropriety in the practice.

SUCCESS EXPRESS
VAN HEUSEN ABC INCENTIVE AWARDS

Success Express: Van Heusen ABC Incentive Awards.
The Van Heusen Corporate Markets Co.
(Exhibiting at NPIS Booth 1003)

For more information circle No. 12 on Buyer Action Card



Silverplated Fluted Bowl.
Oneida Silversmiths.
(Exhibiting at NPIS Booth 2020)

For more information circle No. 13 on Buyer Action Card

An Eastern insurance executive has a similar idea: "As a smaller company competing in a forest of dragons—better-heeled and aggressive with dollars—we have no choice but to remind potential new agents and retail customers that we're alive and well and more efficient."

The reason for giving business gifts is, to a freight executive, "Plain and simple—brownie points. While the gifts may or may not create new business, they can possibly head off a flight to a competitor."

A paper-company executive uses gifts to express "appreciation for past business. We keep the cost under $25 for business gifts so no feeling of being bought could be construed. The only benefit we get is hopefully the customer knows we know he is there."

Most of the users indicate in one way or another that they enjoy giving gifts personally, and this is reflected by John Vallega of Unclaimed Freight Co. in New Jersey: "Simply as a means of showing appreciation for personal and business kindness shown to me. I probably enjoy the sense of giving much more than anything else. It just makes me feel good."

"The idea of gift-giving," one Southeastern executive notes, "started 'way back when' with Three Wise Men! I thoroughly enjoy doing business with all types of executives and firms. I extend business gifts to further develop a friendly atmosphere and an openness in discussing the problem-solving business issues. Businessmen will discuss their inner problems if they feel my concern for the success of their businesses is sincere."

Gifts have, indeed, many historical roots, from the Magi to the Kwakiutl Indians of the Northwest, from the kula of Melanesian tribes to the extravagances of international statesmen. But they also have an obvious modern base in making our commercial relationships a bit more pleasant—and that may go farther to explain their growth than any rationalizations about advertising value, "keeping our name in front of the customer," and similar points.

As in the past, customers are the most-favored recipients of business gifts.

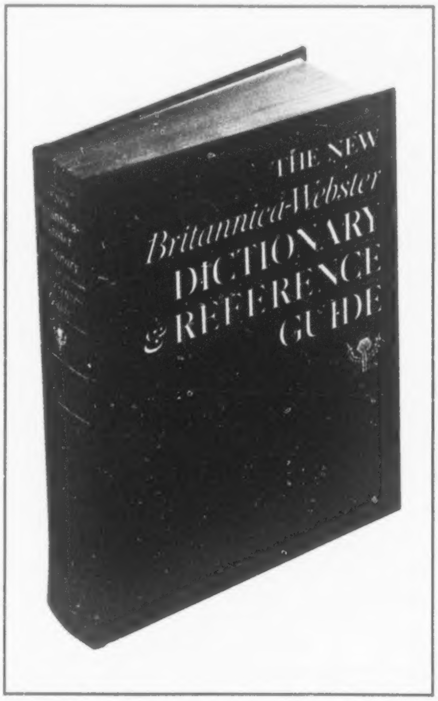
Business gifts are not a tremendous part of the premium and incentive business—a bit over 8 percent of total expenditures. Of more than 1200 gift-using companies whose early reports were tabulated in the 1982 FACTS Census Survey, their average expenditure was something over $14,000 a year; while the median will probably turn out to be closer to $3500.

But gifts just might be the most satisfying part of the field, in purely human terms. Most users tell us, very simply, that it gives them pleasure. Those with a more cynical approach also get their own kind of pleasure from that!

Given the state of the economy, this won't be one of Santa's best years—but the gift spirit is holding up. ■

Hotfingers Ski Gloves.
Wells-Lamont.
(Exhibiting at NPIS Booth 2047)

For more information circle No. 14 on Buyer Action Card



Dictionary & Reference Guide.
Encyclopaedia Brittanica Inc.
(Exhibiting at NPIS Booth 928)

For more information circle No. 15 on Buyer Action Card

OCTOBER 1982

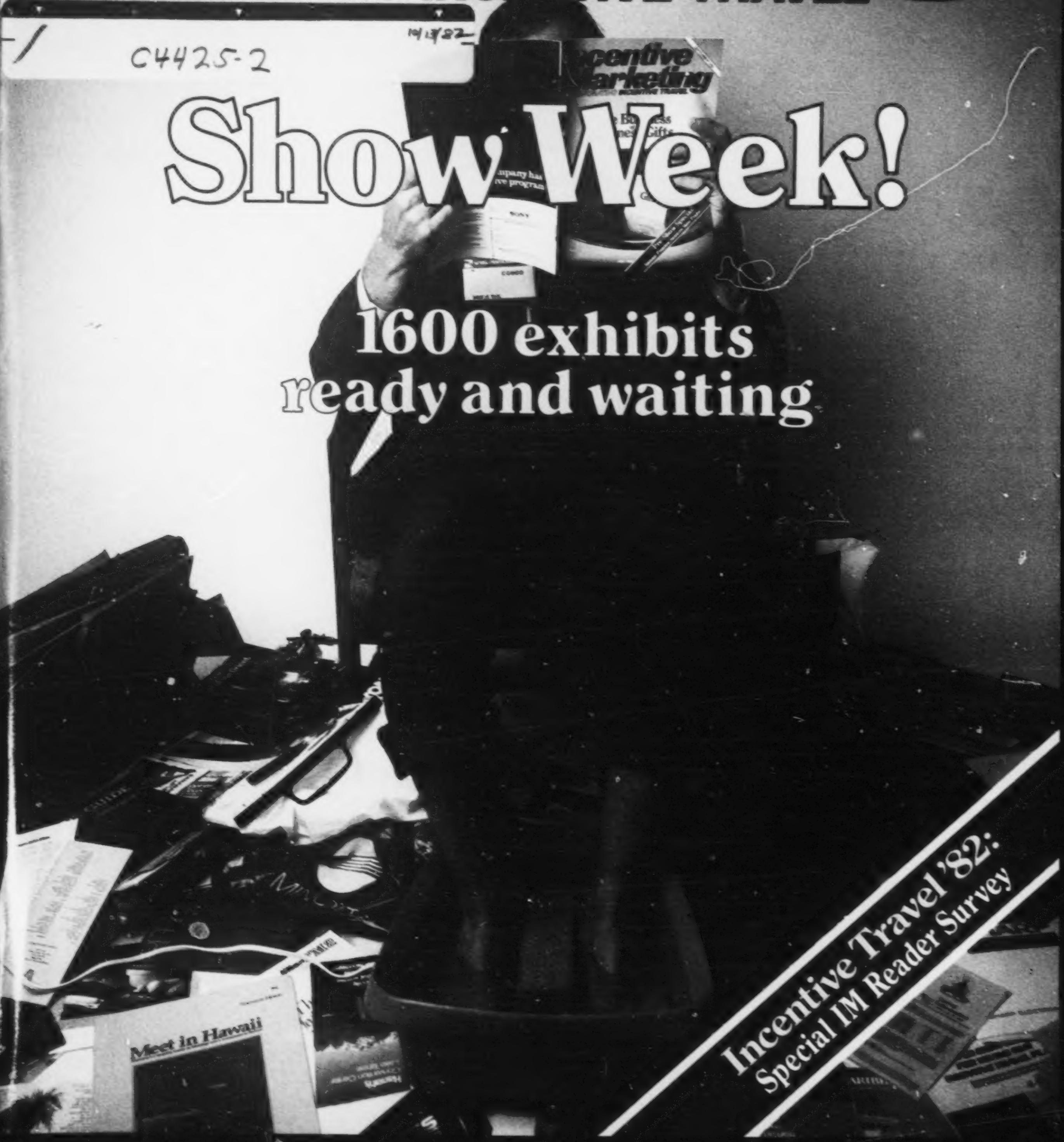
Incentive Marketing

INCORPORATING INCENTIVE TRAVEL

-/ C4425-2 10/13/82

Show Week!

1600 exhibits ready and waiting


Incentive Marketing
Meet in Hawaii

Incentive Travel '82: Special IM Reader Survey

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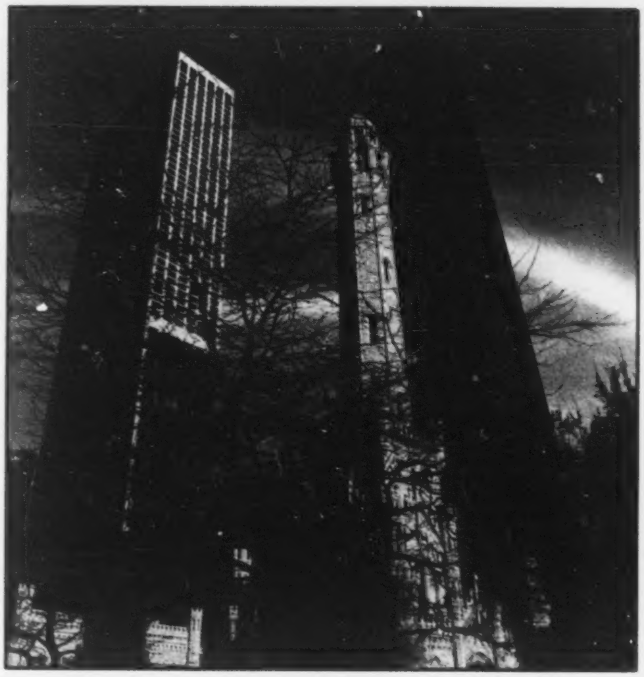

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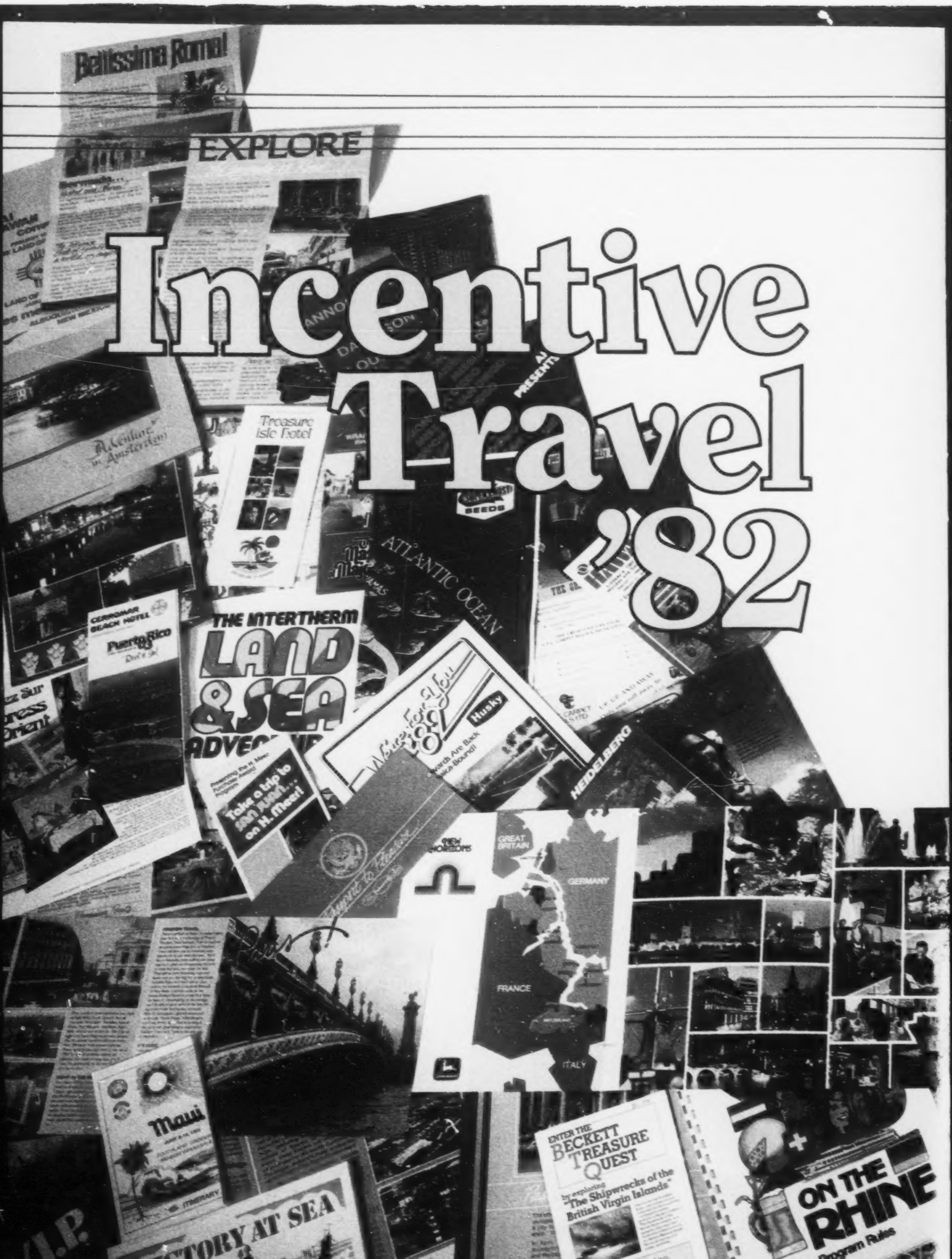
Incentive Travel '82


Bellissima Roma!
EXPLORE
Treasure Isle Hotel
Adventure in Amsterdam
ATLANTIC OCEAN
CERROMAR BEACH HOTEL
Puerto Rico
THE INTERTHERM LAND & SEA ADVENTURE
Husky
HEIDELBERG
Take a trip to SAN JUAN... on H. Meier!
NEW HORIZONS
GREAT BRITAIN
GERMANY
FRANCE
ITALY
Maui
V.I.P.
VICTORY AT SEA
ENTER THE BECKETT TREASURE QUEST
by exploring "The Shipwrecks of the British Virgin Islands"
Grand Prize
an expense-paid one-week vacation for two in the British Virgin Islands!
ON THE RHINE
Program Rules

The pace of incentive travel has flagged a bit in the past two years—but that hasn't turned off the mystique that has captivated marketing executives and trip-winners.

An economy on the ropes and an era of weirdly volatile costs has given incentive travel some bumps, after a quarter century of meteoric growth. It is too early to judge whether the slowdown is a temporary aberration or whether travel has begun to lose some of its glitter.

Incentive travel advanced by only 6 percent among a panel of users a year ago; a comparable study now shows an improvement—an 8.3 percent increase in expenditures for motivational travel. A preliminary check of reports in the latest IM FACTS—survey to be published in our December issue—suggests about the same growth rate.

For a field that has expanded 20 times over its 1956 level of just about $50-million, 8.3 percent is a slow-down.

Yet the users of incentive travel are, for the most part, undaunted—and bullish for the sales performance and effectiveness they find in incentive travel.

It appears from the survey data that the slowing of expansion lies more in the lack of new users than in any pull-back by current ones. This may appear to the uninitiated as a poor time to plunge into a new, fairly complex area.

Incentive travel accounted for spending of $988,813,000 in 1980. Forecasts then and projections now—even with slower growth—mark it a $1-billion effort in '81, and still going up.

There was only one change in the pecking order of the major incentive travel users, with the Automobiles & Trucks Industry moving to third place from fourth. However, this may change when final figures are published, in our December FACTS issue.

Here are the leading users of incentive travel, and their 1980 expenditures:

SOUTHERN DISCOVERY 1983
...aboard the QE 2
MEXICO
DIAL-A-TRIP
LAVELLE
"WINNING WAY"
1980-81
ACAPULCO
SIX DAYS OF ... IN THE SUN
Congoleum
Wonderful World Trav
WONDERFUL WORLD PROGRAM ANNOUNCED FOR 1981
TELEDYNE PENN-UNION
Offers You Best of Both Wo
Israel
China
Scandinavia
Charter National Life's
1982 Conference Trips
ODYSSEY '82

Hawaii continues to entice visitors with Waikiki Beach, scenery, weather, and the Aloha spirit.

Photos: Hawaii Visitors Bureau

1980 EXPENDITURES

Insurance	$120.8 million
Electronics, Radio, TV	$ 96.7 million
Autos & Trucks	$ 87.6 million
Auto Parts, Tires, Accessories	$ 86.1 million
Farm Equipment	$ 70.7 million
Heating & Air Conditioning	$ 56.0 million
Office Equipment	$ 41.7 million
Electric Appliances	$ 39.7 million
Building Materials	$ 28.9 million
Toiletries & Cosmetics	$ 26.1 million
Feed, Fertilizer, Farm Supplies	$ 24.4 million
Furniture & Floor Coverings	$ 14.5 million

These dozen industries accounted for 70 percent of the money spent on incentive travel in 1980.

Regardless of the industry, however, there may be a bit of slippage in the use of foreign destinations, if the present survey respondents are to be believed, as compared with a similar group a year ago. In the 1981 special survey, when readers were asked to name the destinations they had used in recent programs, 54 percent of the choices were domestic, the rest foreign. In this year's survey among a comparable group, 60 percent of the places named were in the continental US, Hawaii, Puerto Rico and the Virgin Islands.

Florida may have been the biggest gainer in this shift—while Hawaii, although considered domestic, was knocked out of first place among all destinations. Percentagewise, Hawaii did not lose much ground—but Florida went from a 14 percent choice a year ago to 19 percent in this survey.

Mexico, previously the second choice overall, as well as the top foreign locale, dropped a number of mentions and now trails both Florida and Hawaii. But New York appears to be the biggest winner, in terms of percentage gains; it went from 1 percent of mentions among US destinations last year to more than 5 percent.

While obviously representing only a small percentage of the incentive trips run last year, the survey does point up how many destinations have come to be regarded as incentive territory. On the domestic site, 38 states and territories are listed—out of a theoretical maximum of 50 states, Puerto Rico, the Virgin Islands, and the District of Columbia.

The suggestion of a shift to domestic, and closer, destinations may be supported by the survey finding that 32 percent of budgets, on the average, are devoted to Transportation among the surveyed executives—compared with 37 percent among a similar group a year ago. This is, in fact, the first time since 1973 that the transportation figure has gone that low. In the past decade, it has generally been in the 35 to 37 percent range.

Hotel Accommodations, the second largest item in the budget, held steady at 27 percent this year as last—but, conversely, this represents one of the highest figures ever reached here. Food & Beverage costs have risen to 17 percent of the typical budget, from 12 percent reported a year ago. This figure has generally been closer to 15 or 17 percent, so the 1982 figure might be considered a return to old patterns, rather than any dramatic upgrading of incentive trip meals.

Other elements of the budget—Promotion Costs, Meetings on site and Miscellaneous costs—have recently been equal, at 8 percent each among these respondents.

In a special survey of selected travel users among IM readers, we received completed questionnaires from 208 executives, and these were tabulated as the basis of this study.

These users generally show an effective use of incentive travel—with overall sales effectiveness changed little, although most costs have risen and participation by company sales personnel has slipped (from 34 percent to 30 percent), while dealer (30 percent) and distributor (33 percent) qualification has improved since last year.

The 208 companies responding in this survey are somewhat larger users of incentive travel than the 196 reporting a year ago—an average of $117,110 in spending for domestic travel this year, and $469,816 for foreign trips. That results in an overall median expenditure of $61,000 per company, compared with a median of only $47,000 in the 1981 study.

In total, their expenditures this year are running at the rate of 8.3 percent ahead of 1981, with approximately an equal growth in both domestic and foreign trips—though the domestic rate is a shade ahead.

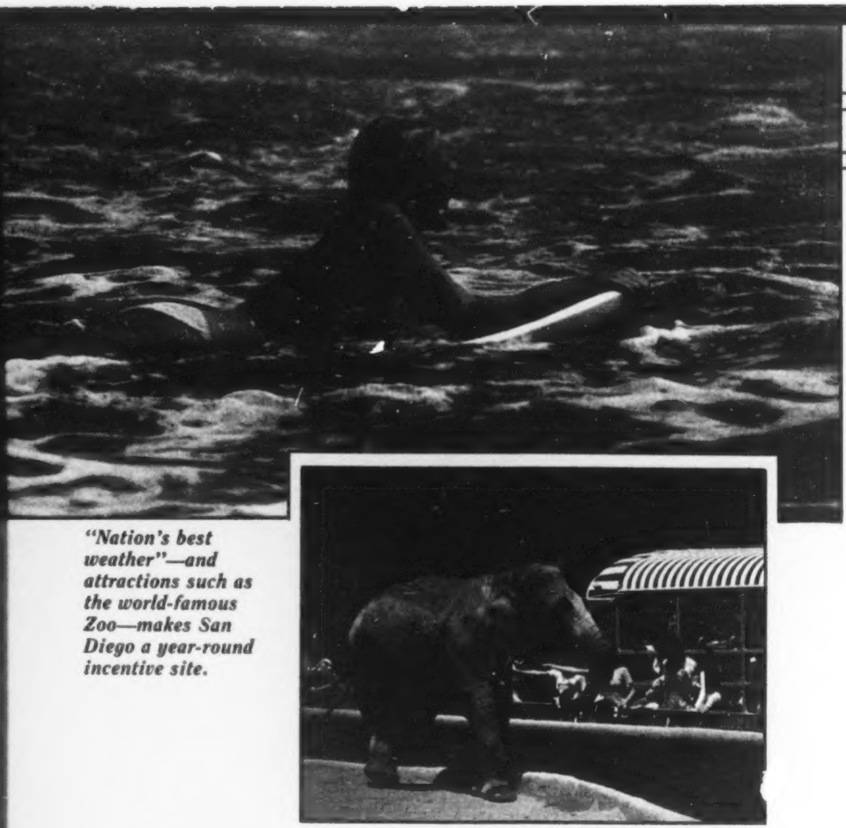
As usual, their primary target is company sales personnel—though only 67 percent gave this indication, compared with 77 percent who promoted to their own people last year. About 28 percent offer incentive travel to dealers, and 23 percent to distributors. Other targeted groups are independent sales reps, 16 percent; direct-selling personnel, 15 percent; distributor salespeople, 14 percent; dealer salespeople, 11 percent; and nonsales personnel, 7 percent. On the average, they offer trips to a bit more than two types of people.

The use of individual trip awards, as opposed to group movements, has increased, if we can believe this sample of marketers. They prefer group trips in 62 percent of cases, but offer individual travel awards in 38 percent. The surveyed users last year preferred group trips by a 74 percent to 26 percent margin.

銀座
ワシントン靴店
丸井
MITSUMINE
isetan
isetan

West meets east on incentive trips to Hong Kong and Tokyo, two of the world's most energetic cities. In both, modern development is adroitly balanced with old rituals, traditions, and charm, making for memorable visits.

Photos: Hong Kong Tourist Authority, Japan Air Lines



"Nation's best weather"—and attractions such as the world-famous Zoo—makes San Diego a year-round incentive site.

Photos: San Diego Convention Bureau

The average number in a group, including spouses in most instances, is 241, but the median number is much smaller—100. They range from as few as 7 persons to 5500 among these users. Only 26 percent said the size of their groups had increased in the past 2 years, while 20 percent reported smaller groups and the rest said their parties were about the same size.

Almost four out of five of these companies include on-site business meetings when they run incentive trips. Some 49 percent of the total group gave that response—amounting to 79 percent of those who said they run group movements. Last year, a smaller number voted for group trips, and 69 percent of them said they do some business at the destination.

When conducting business meetings during the trip, they average 9.7 hours in 3.3 days at the site. This is somewhat shorter than the average total trip time for all the companies—4.9 nights—suggesting that the fun-and-games devotees among them spend more time at it than the more serious types.

The desire to hold meetings or, on the other hand, to stick to a strict diet of fun may be major factors in selecting a destination—but many other considerations enter into it, including where the president of the company spent his last vacation. We asked these executives to rate the importance of 13 different factors that may influence the choice of a site, on a five-point scale.

The available budget goes a long way toward influencing site selection. Given a total cost figure, there will be just so many destinations that could possibly fit, and this naturally narrows the choice greatly. It is no surprise that 80 percent of the respondents considered "Price of total package" important or very important, while only 4 percent rated it of little importance.

Five other factors stood out as important, as represented by the fact that more than twice as many people consider them so as indicated they have little importance. "Well-known destination" (64 percent important, 10 percent unimportant); "Recreation/sports facilities" (60 percent, 15 percent); "Ease of access from around country" (54 percent, 20 percent); "Sightseeing/shopping" (51 percent, 11 percent); "Personal experience" (48 percent, 14 percent).

On the distinctly unimportant side were two criteria—"Incentive house recommendation" (16 percent, 53 percent) and "Sales call by destination rep" (9 percent, 64 percent). On the positive side, but less decisively, were "Past trips we've run there," "Lively nightlife" and "US destination." Getting more negative votes were "Meeting facilities" and "Foreign destination."

Meeting facilities were considered of significant importance by only 34 percent of the respondents—although 49 percent of the companies do conduct meetings on-site. It appears that some are not extremely fussy about the quality of facilities for those meetings.

Since the "price of total package" is not only the most important consideration in site selection, but the keystone of the entire promotional campaign, the process of arriving at the program budget must start first. And you don't build a budget without knowing where the funds are coming from. The simplistic answer is that the funds come from incremental sales. That is clearly what makes the entire exercise worthwhile. But few accounting departments will accept that answer without qualification. The user must devise a formula to earmark the money.

The "incremental sales" answer is considered workable by only 15 percent of our respondents, who can base their budgeting on a percentage of added sales—an "open-end" budget. The majority—52 percent—work from a "special budget set in advance," which presumably derives from some matching of sales expectations against the needs of the program. Another 20 percent predicate the incentive campaign budget upon a percentage of sales forecast for the promotion period. Some, especially those who are regular users of travel programs, get the money from "regular promotion funds." The total is slightly over 100 percent because of multiple answers by a few executives whose methods apparently vary from program to program. There were also 5 percent who indicated other, unspecified, methods of arriving at a campaign budget.

Although most users do not embrace the concept of open-end budgeting, which permits the results in sales performance to determine the payout, nevertheless most seem to apply it in establishing the pattern of winners. About 75 percent of the surveyed executives say that awards go to "all who reach specified goal"—identified in the questionnaire as "open-end." Only 25 percent elect to work toward a "predetermined number of winners." This seeming dichotomy suggests that many of them have considerable faith in their own ability to forecast the results in terms of qualifiers vs. budgeted funds—or in the company's ability or willingness to be flexible if a budget excess is caused by too much success in the marketplace.

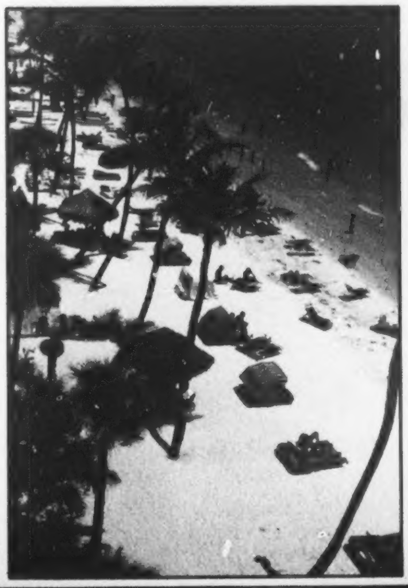
Interrelated with the budget is the question of individual performance quotas. In this survey, 50 percent of the respondents tell us they base quotas on a sales forecast—and the budget is derived from that. Another 30 percent set quotas on the basis of campaign budget requirements previously decided. About 17 percent use other methods.

Help on the budget sometimes comes from outside, of course. In cases where incentives are aimed at salespeople of wholesalers or retailers, the employers may pay a portion of the trip cost. On this question, only 15 percent of the executives surveyed indicated they have such a relationship. On the average, the middleman pays 42 percent of the cost of the incentive for his employees. Previous reports on this question have come closer to 50 percent.

Decide on how much money you can spend, pick an exciting destination, and you're all set—right? Distinctly wrong! The successful travel incentive program is an intricate mix of many elements spanning many months, and the planning process is not an easy one.

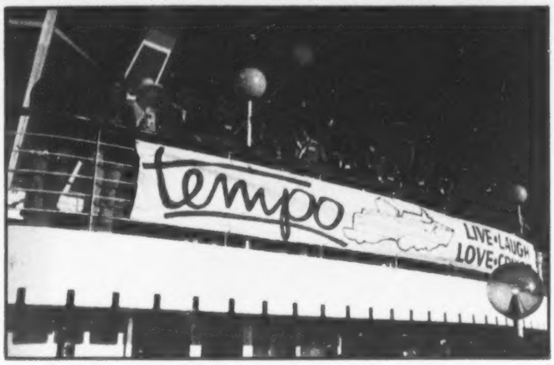
Plan a series of events for several days, work out details with a hotel and a ground operator, write the campaign rules and award credit schedule, brief field management on the entire program, plan a series of teasers, promotion pieces, rule brochures and other mailings, schedule standings reports, buy suitable gifts or advertising specialties to support a theme, map the complete administration of the program and assign someone to run it, set up contingency plans in case of emergencies, coordinate transportation from different points, devise spouse activities, plan

Photos: Florida Division of Tourism



Beaches, sunshine, sports, sightseeing—they made Florida one of the earliest of incentive destinations, and keep it a favorite today.

Photos: Bahamas Ministry of Tourism



Island-hopping Caribbean cruises, offering several destinations for the price of one, have made cruising a big favorite this year.

meeting agendas and presentations, preregister participants if necessary, and be sure you have answers for all the ifs and buts that will probably come up. That's not all, but it's a start!

Clearly, then, planning a travel incentive program is a lengthy process—for many, a continuous year-round task. The executives in our latest survey spend an average of 37.6 weeks in planning before the start of a trip. This is actually quite a bit shorter than the planning cycle indicated in some previous surveys—46 weeks reported in 1980, for example.

The planning begins, of course, well before the opening of the selling period for trip qualification—in this case, an average of 17.6 weeks before.

The incentive travel unit cost to send a couple to far-off places is at least 10 times the average cost of a merchandise incentive—and may go to 20 or 30 or more times. So it must require a much longer period of time to qualify in most cases. There are reports in the present survey of campaigns as short as 4 to 6 weeks, but they are rare. The overall average selling period is 30 weeks. The maximum runs to 78 weeks. About 30 percent of the users run a year-long program of 52 weeks—and then turn around and start all over again.

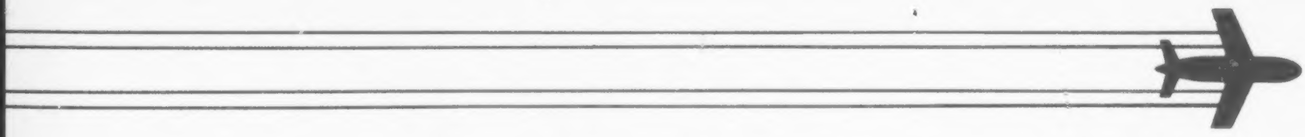
Does it make a difference how the mechanics of the program are handled—what outside help is enlisted in the planning and execution? Surveys have repeatedly shown that users do not consider there is much difference in terms of cost. There is, of course, quite a difference in distribution of workload, and for that reason, among others, a number of users prefer to employ the services of a full-service incentive house to conduct the program. This has grown slightly from a 16 percent preference a year ago to 23 percent in the present survey.

The biggest vote, however, continues to go to the retail travel agent—indicating that, except for basic travel arrangements, the user prefers to maintain in-house control of the campaign operations. About 44 percent choose this approach.

Another 26 percent of these executives work directly with travel suppliers—airlines, hotels, ground operators, and so on. And 7 percent select travel wholesalers to handle the arrangements for their trips.

Despite the strong showing of the retail travel agents as a source, they are probably getting a minor portion of the incentive travel business—mostly from those companies who offer individual travel awards rather than group movements. The individual trip award may amount to little more than making plane reservations and booking a hotel room—whereas the group trip obviously is a vastly more complex matter, dependent upon long-term planning and building in flexibility to accommodate variations in qualification levels.

A minority of users—35 per-



cent—permit buy-ins, letting participants who do not reach full qualification in sales or purchases pay cash for a portion of the trip cost. Those who do provide this option tell us that, on the average, 22 percent of their participants take advantage of it. Some users put qualification points in dollar terms from the outset, making it clear that buy-in becomes an automatic thing for those who don't earn enough trip dollars during the selling period. Many users, however, believe this is a weakening factor—reducing the incentive to achieve full qualification by sales or purchases, and thus partly defeating the purpose of the campaign.

The purpose, however, may be composed of many parts—including one served better by travel than by any other type of motivation: "Boost morale," noted by 39 percent of the respondents. The front-runner, as usual, is "Overall volume increase," which received the votes of 69 percent. Another 45 percent aim their travel programs at selling new accounts, while 42 percent wish to increase market share, 34 percent want to sell their full lines and 29 percent count on the incentive to help introduce new products. In most cases, no single objective satisfies the user—they indicated an average of about 3.5 of the listed objectives.

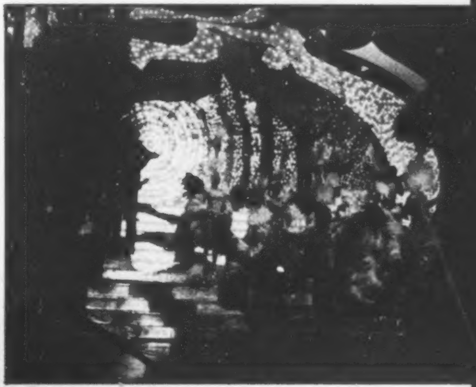
Here are the objectives cited by travel users in our survey:

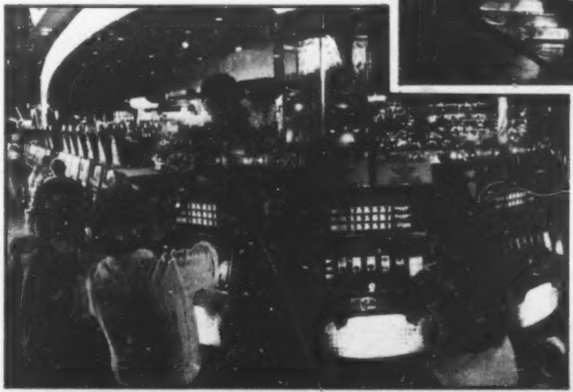
Overall Volume Increase	69%
Sell New Accounts	45%
Increase Market Share	42%
Boost Morale	39%
Sell Full Line	34%
Introduce New Products	29%
Improve Balance of Sales	21%
Sell High-Margin Lines	18%
Bolster Slow Season	14%
Offset Competitive Promotion	11%
Improve Inventory Situation	10%
Aid in Sales Training	7%
Get Store Displays	4%
Support Consumer Promotion	3%

Evaluating results of the campaign—measuring it against the stated objectives—is more art than science for many users. Even with clearly defined yardsticks, the marketer often must wonder whether the incentive program really did the job—or would varying market conditions have resulted in similar sales gains without the incentive? Still, measure he must.

The most common measurement, chosen by 53 percent, is "Total units/dollars sold." Other standards applied include "Percent reaching goal or quota," 45 percent; "Increased market share," 27 percent; "Profit on incremental sales," 14 percent; and "Branch/district performance," 12 percent. Many, as the total indicates, apply more than one touchstone.

Since volume increase is the number-one objective, as well





Glamour, glitter, girls, and gaudy—it's Las Vegas, of course.

Photos: Las Vegas Visitors Bureau

GOLDEN NUGGET
GAMBLING HALL
1905
CASINO
GOLDEN NUGGET
HORSESHOE
BINION'S
GAMBLIN
MINT
HOTEL

as the leading evaluation point, that is the place to look for measurement of overall performance. In this year's FACTS survey, all reporting users showed an average gain of 16 percent during both sales incentive and dealer travel programs. The median for salesforce campaigns was 11 percent, while dealer programs had a median of 10 percent. These results were somewhat below those reported in 1981—but almost exactly matched the 1980 findings.

The total cost of achieving these sales gains has changed little since last year, when the median trip cost took a big jump from $1000 to $1500. The average of all reported costs has actually declined somewhat, from $1763 reported by the special-survey group last year to $1710 among these respondents, but with the median remaining at $1500.

Until quite recently, many users set a goal of keeping unit costs under $1000—but this year only 31 percent say that they have been able to run a travel program for $1000 or less. And 39 percent are now paying $2000 or more for each winner's trip.

Here is how travel budgets were reported for this year, and for the previous survey group:

	1982	*1981*
$ 150 — $ 499	2%	3%
$ 500 — $ 699	9%	6%
$ 700 — $ 899	10%	6%
$ 900 — $1099	10%	13%
$1100 — $1299	10%	7%
$1300 — $1499	4%	7%

Devaluation of French franc earlier this year boosted appeal of Paris as incentive site.

Other lands, other ways: Europe & incentive travel

Incentive travel is a universal motivation tool, but each country applies the concept a bit differently, reflecting national character and, more practically, tax laws. That picture emerged from a seminar sponsored by the Society of Incentive Travel Executives and the British Tourist Authority, held in London in mid-July. About 150 people, most in the British tourism industry, came to hear the varied approaches to incentive travel, and how to capture a share of the market.

The complex picture was put in perspective by Max Cuff, editor of the London-based Incentive Marketing & Sales Promotion magazine (no relation to this publication). "Instead of talking about the incentive travel industry, we should be talking about the English incentive travel industry, the Dutch incentive industry, the Italian, and so on."

As a general rule, he says, the further south the country, the more relaxed the attitude toward incentive travel. Italy, for example, has a surprisingly active incentive travel business, frequently sending groups as far afield as Hong Kong, Bali, and the United States of America.

In the northern countries, however, "there is a certain stigma attached to 'salesmen's perks,' and companies are often cagey about giving details. In Britain and Scandinavia, the incentive planner also has to cope with problems of taxation. In other nations, still other regulations apply, leaving each country with its own way of doing things and its own particular approach."

The American speakers, for example, outlined the familiar format of a promotion campaign directed at the contestant's home address, and offering a luxury trip for winner and spouse.

At the other extreme, the sales promotion manager for Germany's second largest insurance company was nearly finished with his speech before thinking to mention that his trips, to Italy and Morocco, for example, are trips for one—the winner only. He explained that agents would resist the home-directed promotion so popular in US campaigns, and wouldn't tolerate any nonsense about their going off to Italy for a week with

Photos: French Gov't Tourist Office

$1500 — $1599	12%	11%
$1600 — $1999	4%	9%
$2000 — $2999	31%	24%
$3000 or more	8%	4%

In sales-effectiveness, as measured against incremental sales, there has been an improvement in the average performance, but the median experience remains unchanged in the past year. A year ago, the special survey found an average of 13 percent of added sales spent for the travel incentive program, and this year's comparable number is only 10 percent. For both years, however, the median cost was 7 percent of the incremental sales achieved during the promotion. Despite rising unit costs, this is a better bottom-line result than had been achieved in most recent years.

Good results are the rule, happily—but there are sure to be exceptions. What can cause the failure of an incentive travel program, we asked the executives in this survey, listing ten possible factors that could contribute to a campaign's missing its mark.

Clear winner among losers was "Sales targets too high," cited by 42 percent of the users. "Insufficient promotion" and "Insufficient planning" followed, mentioned by 32 percent and 31 percent, respectively.

The national economy was the culprit chosen by 30 percent of these respondents, while 22 percent noted "Wrong site for this group" and 21 percent said "Trip didn't meet ex-

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the boys.

Beyond that, however, the company—Hamburg-Mannheimer Insurance, with 10,000 agents in Germany—follows a familiar pattern of trips starting with a visit to the Berlin home office and leading up to a Mediterranean cruise.

Mr. Cuff's incentive magazine surveyed the incentive travel habits of northern European countries: spending habits comparable to those of American companies; similar destination preferences; opting for warm and sunny climates. And yet the groups are reportedly smaller.

About one-quarter of the sample reports spend $750 per person, while another 37 percent spend $1500 per winner. Group size was smaller, with just over half reporting incentive groups of 25 or fewer people, and less than five percent fielding groups of 250 or more.

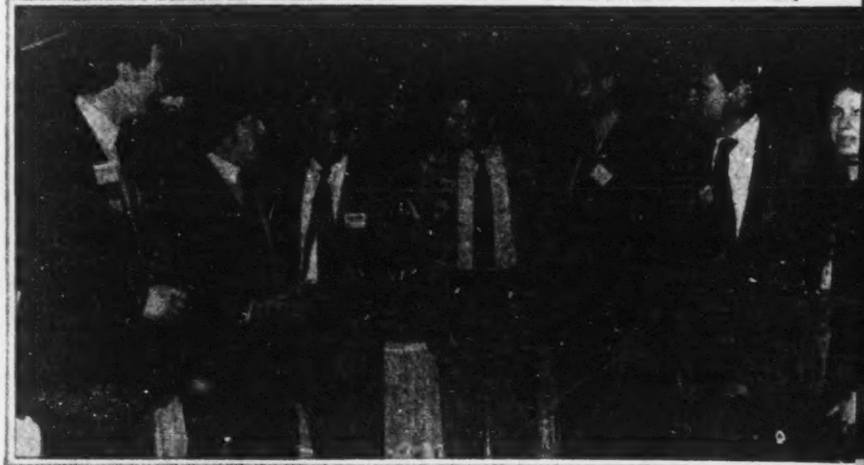
Spain topped the destination list. There was no strong second choice, with various European countries and the US most often mentioned. Only about five percent reported staying within their own borders. But, adjusting for the smaller travel distances, Mr. Cuff observes that "Europeans tend to remain within what might be called 'metropolitan Europe,' while Americans can go much further and still remain within 'metropolitan USA' ".

Asked about the future, most companies were optimistic, with 70 percent planning to spend the same or more, and only 10 percent planning cutbacks.

Statistics aside, Mr. Cuff observes that Europeans will accept treatment at which Americans bristle, and vice versa. "Europeans, for instance, will usually accept smaller rooms than their American counterparts, while Americans are often more tolerant of lapses in service and culinary standards.

"Most Europeans, with the notable exception of the British, and perhaps the Dutch, take their food more seriously than do Americans. When dealing with an incoming European group, make sure there is no misunderstanding about the food." He recounts the woes of one New York City hotel manager trying to please a European incentive group: "The most traumatic experience for the hotel is mealtime."

Differences aside, the concepts are the same. "In western Europe, as in North America, incentive travel is an area of marketing, rather than simply another form of tourism. The travel element is only one part of the overall package." ■



At the seminar: Richard Batchelor, BTA; Brian Stack, president of SITE; Jim McNabb, McNabb & Associates; Jim Hogg, Incentive Marketing; David Spain, BTA; Richard Ross, The Tri-Companies; Maggie Cambridge, BTA.

pectations." About 19 percent blamed too long a contest period, while 7 percent indicated too short a term. Other failure factors noted were "Wrong time of year," 12 percent, and "Competitive promotion," 5 percent. The users mentioned an average of more than two potential problems each.

But incentive travel users don't plan to fail, and most in the survey are optimistic. Asked about their plans for 1983-84, 27 percent said they intend to spend more for travel programs, and 49 percent will continue their programs at about the same level. Only 18 percent stated they hope to spend less; 6 percent did not answer the question.

The relative slowdown in the expansion of incentive travel may signal a new maturity—such rapid growth could not go on forever. Or the slowdown may be a function of an economy that makes the long-term planning of a travel program much more difficult.

But one thing it does not show—as demonstrated by the users in this survey—is any weakening of the allure of travel and its ability to motivate people to superior performance. That, certainly, is still good for a long haul. ■

Where in the World? IM survey choices

UNITED STATES

- ***54 Florida***
  - 8 Orlando/ Disney World
  - 5 Miami
  - 3 Key Biscayne
  - 2 Captiva Island
  - 2 Marco Island
  - 2 Palm Beach
  - 2 Tampa
  - 1 Boca Raton
  - 1 Greenleaf
  - 1 Longboat Key
  - 1 Sanibel Island
- ***51 Hawaii***
  - 1 Honolulu
  - 1 Oahu
- ***36 Nevada***
  - 21 Las Vegas
  - 9 Tahoe
  - 5 Reno
- ***32 California***
  - 12 San Francisco
  - 7 San Diego
  - 2 Disneyland
  - 2 La Costa
  - 2 Los Angeles
  - 1 Palm Springs
- ***16 Puerto Rico***
  - 3 San Juan
- ***15 New York***
  - 1 Cooperstown
  - 1 Hidden Valley Ranch
- ***10 Arizona***
  - 6 Phoenix
  - 2 Scottsdale
- ***9 South Carolina***
  - 9 Hilton Head
- ***7 Virgin Islands***
  - 4 St. Thomas
  - 1 St. Croix
  - 1 Frenchman's Reef
- ***6 Louisiana***
  - 6 New Orleans
- ***5 Colorado***
  - 2 Denver
  - 2 Vail
- ***5 Illinois***
  - 5 Chicago
- ***5 Texas***
  - 4 Dallas
- ***4 Massachusetts***
  - 3 Cape Cod
  - 1 Boston
- ***4 Pennsylvania***
  - 1 Poconos
  - 1 Philadelphia
  - 1 7 Springs
- ***3 Michigan***
  - 1 Grand Harbor
  - 1 Mackinac
- ***3 New Jersey***
  - 3 Atlantic City
- ***2 Alaska***
  - 1 Alaska Cruise
- ***2 Georgia***
  - 1 Atlanta
  - 1 Savannah
- ***2 Tennessee***
  - 2 Opryland/ Nashville
- ***2 Vermont***
  - 1 Woodstock Inn
- ***2 Virginia***
  - 2 Williamsburg
- ***2 Washington D.C.***
- ***1 Arkansas***
  - 1 Ozarks
- ***1 Idaho***
  - 1 Sun Valley
- ***1 Indiana***
  - 1 Indianapolis
- ***1 Kentucky***
  - 1 Louisville
- ***1 Maryland***
  - 1 Baltimore
- ***1 Minnesota***
  - 1 Minneapolis
- ***1 New Hampshire***
- ***1 North Carolina***
  - 1 Pinehurst
- ***1 Pennsylvania***
  - 1 Pittsburgh
- ***1 Oklahoma***
- ***1 Oregon***
- ***1 Washington***
  - 1 Sun Mountain Lodge
- ***1 West Virginia***
  - 1 Greenbriar
- ***1 Wisconsin***
  - 1 Lake Geneva
- ***1 Wyoming***
  - 1 Jackson Hole

FOREIGN

- ***43 Mexico***
- ***28 Bahamas***
- ***13 Caribbean Cruise***
- ***11 Bermuda***
- ***10 Canada***
- ***10 England***
- ***10 Spain***
- ***8 Jamaica***
- ***7 France***
- ***6 Switzerland***
- ***4 Aruba***
- ***4 Hong Kong***
- ***3 Dominican Republic***
- ***3 Israel***
- ***3 Monte Carlo***
- ***3 Morocco***
- ***3 St. Maarten***
- ***3 Tahiti***
- ***2 Austria***
- ***2 Germany***
- ***2 Ireland***
- ***2 Japan***
- ***2 Greece***
- ***1 Barbados***
- ***1 Costa Rica***
- ***1 Korea***
- ***1 Yugoslavia***